MINNESOTA MDH DEPARTMENT OF HEALTH

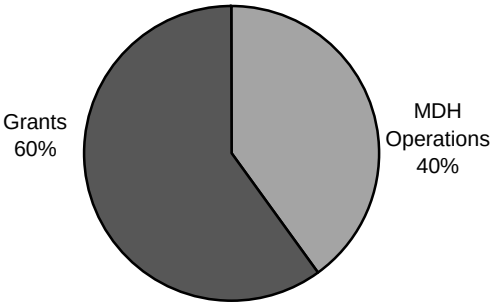
Protecting, maintaining and improving the health of all Minnesotans

January 25, 2005

To the 2005 Legislature:

On behalf of Governor Pawlenty, I am pleased to submit the Minnesota Department of Health's budget recommendation for the FY 2006-07 budget. This budget consists of $132.165 million from the state's General Fund and $698.186 million from other funds.

The Minnesota constitution affirms that protecting, maintaining and improving the public's health is a duty that falls on government. In Minnesota, the public health system is a state/local partnership. As the graphic indicates, almost two-thirds of our funding is passed on to our partners: local public health agencies, community-based organizations, educational institutions, and tribal governments. Together, we will focus on the core activities that protect the public's health and that advance the health status of individuals and communities.



The 2006-2007 budget is based on priorities that focus on core public health functions at the state level:

- Protecting the public from infectious diseases outbreaks and food borne illnesses
- Ensuring that Minnesotans continue to receive high quality care through their HMOs, hospitals and nursing homes
- Working to reduce injury, chronic disease, and address maternal and child health needs
- Helping policy makers find ways to contain health care costs
- Monitoring environmental factors that affect the public's health

Our 2006-07 budget is also based on priorities that focus on public health activities that take place at the local and community level:

- Working closely with communities and tribal governments to help reduce health disparities
- Supporting and working closely with local public health agencies to maintain a strong public health system across the state

We look forward to working with the legislature in the coming months.

Sincerely,

Dianne Mandernach

Dianne Mandernach
Commissioner

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2004	FY2005	FY2006	FY2007	2006-07
Direct Appropriations by Fund					
Environment & Natural Resource					
Current Appropriation	131	132	132	132	264
Recommended	**131**	**132**	**0**	**0**	**0**
Change		0	(132)	(132)	(264)
% Biennial Change from 2004-05					-100%
General					
Current Appropriation	60,116	61,652	61,652	61,652	123,304
Recommended	**60,116**	**61,652**	**63,902**	**68,263**	**132,165**
Change		0	2,250	6,611	8,861
% Biennial Change from 2004-05					8.5%
State Government Spec Revenue					
Current Appropriation	32,880	32,617	32,617	32,617	65,234
Recommended	**32,880**	**32,617**	**36,307**	**36,706**	**73,013**
Change		0	3,690	4,089	7,779
% Biennial Change from 2004-05					11.5%
Health Care Access					
Current Appropriation	6,273	6,273	6,273	6,273	12,546
Recommended	**6,273**	**6,273**	**6,216**	**6,216**	**12,432**
Change		0	(57)	(57)	(114)
% Biennial Change from 2004-05					-0.9%
Expenditures by Fund					
Direct Appropriations					
Environment & Natural Resource	75	188	0	0	0
General	59,303	63,640	63,902	68,263	132,165
State Government Spec Revenue	23,875	37,969	36,307	36,706	73,013
Health Care Access	5,594	6,842	6,216	6,216	12,432
Remediation	179	221	0	0	0
Open Appropriations					
State Government Spec Revenue	135	164	164	164	328
Health Care Access	30	33	33	33	66
Medical Education & Research	75,344	83,130	84,768	84,602	169,370
Statutory Appropriations					
Drinking Water Revolving Fund	479	479	658	658	1,316
Special Revenue	43,799	48,602	39,739	40,154	79,893
Federal	166,868	186,788	175,255	174,427	349,682
Federal Tanf	5,686	6,289	6,000	6,000	12,000
Gift	94	255	43	43	86
Total	**381,461**	**434,600**	**413,085**	**417,266**	**830,351**
Expenditures by Category					
Total Compensation	88,523	101,758	99,979	100,520	200,499
Other Operating Expenses	56,476	80,044	66,635	67,941	134,576
Payments To Individuals	73,836	75,526	75,377	75,377	150,754
Local Assistance	162,626	177,272	171,294	173,628	344,922
Transfers	0	0	(200)	(200)	(400)
Total	**381,461**	**434,600**	**413,085**	**417,266**	**830,351**

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2004	FY2005	FY2006	FY2007	2006-07
Expenditures by Program					
Community & Family Hlth Promo	179,691	198,786	184,843	186,811	371,654
Policy Quality & Compliance	105,405	120,350	118,023	117,472	235,495
Health Protection	66,801	82,936	77,313	77,691	155,004
Minority & Multicultural Hlth	7,502	7,991	7,658	7,658	15,316
Administrative Support Service	22,062	24,537	25,248	27,634	52,882
Total	**381,461**	**434,600**	**413,085**	**417,266**	**830,351**
Full-Time Equivalents (FTE)	**1,323.9**	**1,351.3**	**1,358.1**	**1,354.8**	

Dollars in Thousands

	FY2005	Governor's Recomm. FY2006	Governor's Recomm. FY2007	Biennium 2006-07
Fund: ENVIRONMENT & NATURAL RESOURCE				
FY 2005 Appropriations	**132**	**132**	**132**	**264**
Technical Adjustments				
One-time Appropriations		(132)	(132)	(264)
Subtotal - Forecast Base	**132**	**0**	**0**	**0**
Total Governor's Recommendations	**132**	**0**	**0**	**0**
Fund: GENERAL				
FY 2005 Appropriations	**61,652**	**61,652**	**61,652**	**123,304**
Technical Adjustments				
Current Law Base Change		(7)	(7)	(14)
Transfers Between Agencies		3,043	3,043	6,086
Subtotal - Forecast Base	**61,652**	**64,688**	**64,688**	**129,376**
Change Items				
Operations Support	0	722	2,583	3,305
Grant Reductions	0	(1,543)	(1,543)	(3,086)
Positive Alternatives Program	0	0	2,500	2,500
Methamphetamine Lab Remediation	0	100	100	200
Complementary and Alternative Practice	0	(65)	(65)	(130)
Total Governor's Recommendations	**61,652**	**63,902**	**68,263**	**132,165**
Fund: STATE GOVERNMENT SPEC REVENUE				
FY 2005 Appropriations	**32,617**	**32,617**	**32,617**	**65,234**
Technical Adjustments				
One-time Appropriations		(213)	(213)	(426)
Transfers Between Agencies		(323)	(323)	(646)
Subtotal - Forecast Base	**32,617**	**32,081**	**32,081**	**64,162**
Change Items				
Adverse Health Event Reporting	0	335	335	670
Drinking Water Protection Program	0	381	635	1,016
Food Manager's Certification Program	0	62	62	124
Food, Beverage & Lodging Program	0	1,552	1,552	3,104
Lab Certification Program	0	186	186	372
Plumbing Program	0	250	250	500
Well Management Program	0	356	601	957
Vital Records Program	0	1,104	1,004	2,108
Total Governor's Recommendations	**32,617**	**36,307**	**36,706**	**73,013**
Fund: HEALTH CARE ACCESS				
FY 2005 Appropriations	**6,273**	**6,273**	**6,273**	**12,546**
Technical Adjustments				
One-time Appropriations		(57)	(57)	(114)
Subtotal - Forecast Base	**6,273**	**6,216**	**6,216**	**12,432**
Total Governor's Recommendations	**6,273**	**6,216**	**6,216**	**12,432**

Dollars in Thousands

	FY2005	Governor's Recomm. FY2006	Governor's Recomm. FY2007	Biennium 2006-07
Fund: STATE GOVERNMENT SPEC REVENUE				
Planned Open Spending	**164**	**164**	**164**	**328**
Total Governor's Recommendations	**164**	**164**	**164**	**328**
Fund: HEALTH CARE ACCESS				
Planned Open Spending	**33**	**33**	**33**	**66**
Total Governor's Recommendations	**33**	**33**	**33**	**66**
Fund: MEDICAL EDUCATION & RESEARCH				
Planned Open Spending	**83,130**	**84,768**	**84,602**	**169,370**
Total Governor's Recommendations	**83,130**	**84,768**	**84,602**	**169,370**
Fund: DRINKING WATER REVOLVING FUND				
Planned Statutory Spending	**479**	**658**	**658**	**1,316**
Total Governor's Recommendations	**479**	**658**	**658**	**1,316**
Fund: SPECIAL REVENUE				
Planned Statutory Spending	**48,602**	**39,739**	**40,154**	**79,893**
Total Governor's Recommendations	**48,602**	**39,739**	**40,154**	**79,893**
Fund: FEDERAL				
Planned Statutory Spending	**186,788**	**175,255**	**174,427**	**349,682**
Total Governor's Recommendations	**186,788**	**175,255**	**174,427**	**349,682**
Fund: FEDERAL TANF				
Planned Statutory Spending	**6,289**	**6,000**	**6,000**	**12,000**
Total Governor's Recommendations	**6,289**	**6,000**	**6,000**	**12,000**
Fund: GIFT				
Planned Statutory Spending	**255**	**43**	**43**	**86**
Total Governor's Recommendations	**255**	**43**	**43**	**86**
Revenue Change Items				
Fund: STATE GOVERNMENT SPEC REVENUE				
Change Items				
Adverse Health Event Reporting	0	335	335	670
Drinking Water Protection Program	0	0	1,433	1,433
Food Manager's Certification Program	0	91	91	182
Food, Beverage & Lodging Program	0	1,326	1,326	2,652
Lab Certification Program	0	160	215	375
Plumbing Program	0	(5)	(5)	(10)
Well Management Program	0	0	551	551
Occupational Therapy Fee Suspension	0	(254)	(254)	(508)
Vital Records Program	0	1,420	1,420	2,840

Fiscal Impact ($000s)	FY 2006	FY 2007	FY 2008	FY 2009
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
State Gov't Special Revenue Fund				
Expenditures	$335	$335	$335	$335
Revenues	$335	$335	$335	$335
Net Fiscal Impact	$0	$0	$0	$0

Recommendation

The Governor recommends an appropriation of $335,000 from the State Government Special Revenue (SGSR) fund to provide ongoing funding for the 2003 Adverse Health Event Reporting law. The law was fully implemented on 12-6-04 using non-state funds as required by statute. The Governor also recommends a corresponding increase in revenues from an increase in fees for hospitals and outpatient surgical centers, to recover these costs.

Background

The Adverse Health Events Reporting Law -- passed during the 2003 legislative session and modified again in 2004 – will provide health care consumers with information on how well hospitals and outpatient surgical centers are doing at preventing adverse events. Examples of the 27 types of incidents that will be tracked and publicly reported include wrong-site surgery, retention of a foreign object in a patient after surgery, and death or serious disability associated with medication error. The law requires that hospitals disclose when any of these 27 events occur and requires MDH to publish annual reports of the events by facility, along with an analysis of the events, the corrections implemented by facilities and any recommendations for improvement in Minnesota. The reporting system established by this law provides facilities with information, tools and techniques to prevent the most serious kinds of medical errors.

The law was in its "transition period" from 7-1-03 to 12-6-04. All reports during the transition period were reported only to the Minnesota Hospital Association. The law has moved to full implementation and the event reports, findings of root cause analyses and the corrective action plans have been received by the Minnesota Department of Health (MDH) since 12-6-04.

MDH activity relating to the Adverse Events Act includes:

- Tracking, assessing and analyzing the incoming reports, findings and corrective action plans.
- Determining patterns of failure, if any, and successful methods to correct system problems.
- Sharing findings with individual facilities, providing follow-up and feedback as needed.
- Educating facilities across the state regarding best preventive practice.
- Monitoring national efforts and those in other states to ensure consistency and best practice in the MN law and proposing modifications to Minnesota's law.
- Publishing an annual report of events and corrective actions and communicating with purchasers and the public about lessons learned to improve health care quality.

Additional information on the adverse health events law and MDH patient safety activities is available at: www.health.state.mn.us/patientsafety

Relationship to Base Budget

All activity, through 6-30-05 will be funded with non-state funds ($250,000 for the FY 2004-05 biennium). There is no base budget for this activity in the FY 2006-07 biennium. Ongoing funding of $335,000 per year is needed starting 7-1-05 to perform the tasks identified above. An increase in hospital and outpatient surgical center fees is proposed to provide the funding needed for the Adverse Event Reporting Law. These fees were last adjusted in FY 2003. Details of the proposed fee changes are outlined below:

Facility Type (number of facilities)	Fee Structure -- Current		Fee Structure -- Proposed		Fee Structure -- Difference	
	Base Fee	Per Bed Fee*	Base Fee	Per Bed Fee	Base Fee	Per Bed Fee
Joint Accredited Hospitals (73)	$7,055	$0	$7,555	$13	$500	$13
Non- Joint Accredited Hospitals (64)	$4,680	$234	$5,180	$247	$500	$13
Out-Patient Surgical (32)	$1512	$0	$3,349	$0	$1,837	$0

* There are 16,540 total licensed hospital beds in Minnesota.

This level of funding would support 1 FTE at MDH and would allow for contracting activities from private organizations with expertise in hospital and surgical center operations, root cause analyses, corrective action plans and analysis of the reported information.

Key Measures

This law provides a way to identify problems and solve them so they don't happen again. With the disclosed information and the public reports, consumers will have a way to evaluate whether progress is being made toward making health care safer. We anticipate between 150 and 250 events will be reported each year. Over time, the reported events can be tracked for trends in the frequency and types of events occurring in Minnesota health facilities. Corrections and preventive measures will be collected and reported statewide. Reoccurrence of events after corrections were put in place will be tracked so that the effectiveness of various preventive strategies can be evaluated and evidence-based improvements can be shared with other facilities.

Statutory Change: The Minnesota Statute that covers the hospital and outpatient surgical center fees is 144.122.

Fiscal Impact ($000s)	FY 2006	FY 2007	FY 2008	FY 2009
General Fund				
Expenditures	$722	$2,583	$2,583	$2,583
Revenues	0	0	0	0
Net Fiscal Impact	$722	$2,583	$2,583	$2,583

Recommendation

The Governor recommends a General Fund appropriation increase of $722,000 in FY 2006, and $2.583 million in FY 2007 to support the increased operational expenses attributable to the Department of Health's (MDH) new buildings. These facilities include a state-of-the art laboratory that accommodates new technology, increases security and safety, and facilitates more efficient staff interaction. The office building brings the department's staff closer together for more effective working relationships and enables use of more efficient telecommunication technology.

Background

The 2002 legislature authorized the construction of a new public laboratory, and the Orville Freeman State Office Building for the Departments of Health and Agriculture. In the fall of 2005, MDH's Public Health Laboratory, Infectious Disease Epidemiology and Control Division, Environmental Health Division, Office of Emergency Preparedness, Office of Minority and Multicultural Health, and Administrative Support Services will move into the new buildings. The remaining divisions will be consolidated into leased office space in the Golden Rule building downtown St. Paul, with a few work groups in the Snelling Office Park.

The Department of Administration's estimate of lease rates/square foot in the new buildings is nearly double that of the existing lease rates. MDH lease costs will increase by $2.410 million in FY 2006 and $4.892 million in FY 2007.

This proposal will fund 30% of the additional lease costs in FY 2006 and 53% in FY 2007. The department will fund the balance through administrative and operational reductions. Administrative reductions include changes in service levels in the communications office, human resources management, financial and facilities management, and library. Operational reductions include divisional management positions and supply and expense budgets.

Relationship to Base Budget

The General Fund base budget for leased office space is $4.354 million. Total lease costs are $6.429 million, with the balance of the costs being funded through the agency's indirect cost allocation applied to non-general funding sources, such as federal funds and fee revenue.

Total lease costs will increase by 37% in FY 2006, and by 76% in FY 2007, with just over one-third of the increase, by FY 2007, being funded through the agency's indirect cost allocation.

Fiscal Impact ($000s)	FY 2006	FY 2007	FY 2008	FY 2009
General Fund				
Expenditures	($1,543)	($1,543)	($1,543)	($1,543)
Revenues	0	0	0	0
Net Fiscal Impact	($1,543)	($1,543)	($1,543)	($1,543)

Recommendation

The Governor recommends a General Fund appropriation reduction of $1.543 million each fiscal year. This reduction reflects the General Fund support for the Dental Loan Repayment Program ($560,000), and the Suicide Prevention Program ($983,000).

Background

Dental Loan Repayment Program: This loan forgiveness program provides up to four years of loan repayment (up to $15,000 annually in FY 2005) for licensed dentists (approximately 12 per year). There is a minimum service obligation of three years. Each year a participant must deliver service totaling 25% of their yearly patient encounters to public programs or sliding fee scale patients.

Suicide Prevention Program: This is a competitive grant program awarded most recently to 13 community-based organizations and local health departments to provide education, outreach and advocacy services to populations who may be at risk for suicide; educate family members, spiritual leaders, coaches, employers, school staff, students and others on how to prevent suicide by encouraging interventions and help-seeking; and educate populations at risk for suicide on the symptoms of depression and other psychiatric illnesses, the warning signs of suicide, skills for preventing suicides, and making or seeking referrals to mental health care.

Relationship to Base Budget

General Fund base funding for the Dental Loan Repayment Program is $560,000 each fiscal year. The reduction reflects the full amount of General Fund support for the program. Base funding for the Health Professional Loan Repayment Program in the Health Care Access Fund is $740,000. This grant program will be modified to include dentists, resulting in a reduction in the number of providers eligible for loan repayment.

General Fund base budget for the Suicide Prevention Program is $983,000 each fiscal year. This includes funding for one FTE. Recently enacted federal funding for suicide prevention provides a possible alternative funding source. The department will apply for this federal funding for state level suicide prevention programs.

Statutory Change: M.S. 144.1501, 144.1502, and 145.56

Fiscal Impact ($000s)	FY 2006	FY 2007	FY 2008	FY 2009
General Fund				
Expenditures	0	$2,500	$2,500	$2,500
Revenues	0	0	0	0
Net Fiscal Impact	0	$2,500	$2,500	$2,500

Recommendation

The Governor recommends General Fund appropriation of $2.5 million in FY 2007 for the Positive Alternatives Grant Program. This program will award grants to organizations that provide direct care to pregnant women and their unborn children through counseling and supportive services. In addition, the Governor recommends that this funding be added to the department's base budget for FY 2008 and 2009.

Background

The abortion rate in Minnesota has remained constant over the past decade. Through abortion reporting requirements the state has been able to gather additional data on the reasons women are choosing abortion. Some of the most frequent responses include "economic reasons" and "does not want the child at this time." These explanations, as well as some of the others, can be addressed by assuring that the necessary services are accessible to the pregnant woman.

The focus of the Positive Alternative Grant Program is to provide state support for services offered to women facing an unexpected pregnancy. The Department of Health will develop the grant program and application process and award grants that would be used for the following purposes:

- medical care, testing and medical information;
- pre-natal care, including nutrition information and assistance;
- housing assistance, including maternity home care and information;
- adoption services and information;
- education and employment assistance, family finance courses and parenting support services; and
- life-affirming counseling.

There are currently over 100 organizations such as pregnancy care centers, adoption agencies, maternity homes and others that currently serve pregnant women and would be eligible for these grants. The Department of Health would develop the grant process and application form in FY 2006 and award the grants in FY 2007.

Relationship to Base Budget

There is no base budget for this activity. This proposal would provide $2.5 million in funding, beginning in FY 2007. This funding would be included in the department's base budget in the FY 2008-09 biennium. The funding will support a $2.4 million grant program and one FTE.

Key Measures

Data reported in the abortion reporting requirements will be analyzed to determine the impact of these grants on occurrence of abortions as well as the reasons for the abortions.

Statutory Change: Minnesota Statutes 145 (new statute)

Fiscal Impact ($000s)	FY 2006	FY 2007	FY 2008	FY 2009
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
State Gov't Special Revenue Fund				
Expenditures	$381	$635	$1,570	$1,570
Revenues	$0	$1,433	$1,433	$1,433
Net Fiscal Impact	$381	($798)	$137	$137

Recommendation

The Governor recommends that the Drinking Water Service Connection fee be increased, beginning in FY 2007, resulting in an additional $1.433 million in revenue to the State Government Special Revenue (SGSR) fund. Also, the Governor recommends an additional appropriation from the SGSR fund of $381,000 in FY 2006 and $635,000 in FY 2007 for the Drinking Water Protection Program, and the base funding for this program be increased by $1.570 million each fiscal year in the following biennium.

This fee increase will ensure that all 8,300 public water supplies in Minnesota will provide safe drinking water to Minnesota citizens and visitors to the state, and comply with the requirements of the Safe Drinking Water Act (SDWA). This fee increase will also ensure that program costs are fully recovered, and the corresponding expenditure meets program demands.

Background

The Minnesota Department of Health, Section of Drinking Water Protection has primary enforcement responsibility for the federal SDWA in Minnesota. Activities of the Section include:

- required monitoring and analysis of drinking water;
- required sanitary survey inspections to ensure the integrity of the systems;
- source water assessments and wellhead protection to ensure safe sources of water;
- administration of the drinking water revolving loan fund to provide low interest loans for water system improvements;
- review of engineering plans and specifications to ensure water system integrity;
- capacity development to ensure managerial, technical, and financial stability of the water systems;
- operator certification and training to ensure a reliable and educated workforce to operate water systems;
- technical assistance to help systems provide safe water and remain in compliance with the SDWA;
- enforcement for systems that are unwilling to meet health standards;
- public outreach through consumer confidence reports, annual state of drinking water reports, fact sheets; and public notices of violations.

The costs to carry out the above responsibilities increases from year to year. We are projecting the costs to increase substantially in the next biennium due to new federal requirements. The SDWA allows the Environmental Protection Agency (EPA) to enact new rules and standards as threats to public health, through drinking water, are determined. Five new, or modified SDWA rules are scheduled for implementation by the end of FY 2007. These rules will require additional staffing and lab analyses. In addition to new rules, existing laboratory analysis and staff costs will be increasing.

The Drinking Water Service Connection Fee was established at $5.21 on 7-1-92, and has not been adjusted since that time. Program costs are exceeding annual revenues. The current fee level with projected expenses for the program would result in a shortfall by FY 2007.

Relationship to Base Budget

Base funding from the SGSR fund for the Drinking Water Protection program is $6.902 million. Costs are projected to increase to $8.472 million by FY 2008-09. This represents a 23% increase in expenditures over the four-year period.

The current Service Connection Fee is $5.21 and will be increased to $6.36 effective 7-1-06 (beginning of FY 2007). This represents a 22% increase in the fee. This fee increase will ensure that program costs are fully recovered.

Key Measures

EPA has established key drinking water program measures to determine if state programs are successfully implementing SDWA requirements. For example, one indicator is: "By 2005, protect human health so that 95% of people served by community water systems receive water that meets the 1994 health-based drinking water standards". Another indicator is: "By 2005, improve drinking water system compliance so less than 10% of transient non-community water systems have significant monitoring violations." The Minnesota Drinking Water Program is consistently ranked among the top drinking water compliance programs in the nation, and meets the indicators established by EPA. In order to continue meeting these EPA indicators, and to ensure safe drinking water for Minnesota citizens and visitors, the program must remain adequately funded to perform required activities.

Statutory Change: M.S., Chapter 144.3831

Fiscal Impact ($000s)	FY 2006	FY 2007	FY 2008	FY 2009
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
State Gov't Special Revenue Fund				
Expenditures	$62	$62	$62	$62
Revenues	$91	$91	$91	$91
Net Fiscal Impact	($29)	($29)	($29)	($29)

Recommendation

The Governor recommends a fee increase for food manager certification to generate an additional $91,000 in revenue to the State Government Special Revenue (SGSR) fund. The Governor also recommends an additional appropriation from the SGSR fund of $62,000 each fiscal year to continue to the current level of service for the Food Managers Certification Program. This fee increase will ensure that program expenditures are fully recovered.

Background

Certification fees support the statewide registration of certified food managers in Minnesota for food service establishments regulated by the Minnesota Departments of Health and Agriculture. The certification activity ensures that there is at least one person in each food service establishment that can identify critical control points in food preparation that prevent food borne illness and that can train other employees on safe food handling practices. At least 7,000 applications are processed annually.

The current fees are not sufficient to support the issuance of certificates, interpretation and application of the rule, oversight of the certification activity, data management functions, and working with educational course providers such as the University of Minnesota. Actual revenues were below estimated revenues when the program was implemented; staffing had to be reduced to match program income. The current fee of $15.00 for a three-year certification will increase to $28.00 for the three-year period. A fee increase is necessary to cover increased costs for appropriate staffing to handle the increase in volume of work and to ensure the program revenues fully recover program costs.

Relationship to Base Budget

Base funding from the SGSR fund for the Food Managers Certification Program is $137,000 each year. The additional $62,000 represents a 45% increase in funding. Anticipated fee revenues will increase by 75% over the biennium.

MDH began collecting the $15 food manager's certification fee in July 2000. The increase to $18 reflects a 20% increase.

Key Measures

The Minnesota Food Code requires each food establishment to employ at least one state certified food manager. A recent study has found that establishments with a certified food manager have fewer critical violations related to food borne illness. In CY 2003, approximately 89% of establishments were in compliance with the certified food manager requirement. The goal for CY 2004 is 94% compliance. We expect to see a corresponding decrease in the number of critical violations issued.

Statutory Change: M.S., Chapter 157.011

Fiscal Impact ($000s)	FY 2006	FY 2007	FY 2008	FY 2009
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
State Gov't Special Revenue Fund				
Expenditures	$1,552	$1,552	$1,552	$1,552
Revenues	$1,326	$1,326	$1,326	$1,326
Net Fiscal Impact	$226	$226	$226	$226

Recommendation

The Governor recommends an increase in license fees for food, beverage and lodging (FB&L) establishments to generate an additional $1.326 million each year to the State Government Special Revenue (SGSR) fund, to reform and modernize the Food, Beverage and Lodging Program. The Governor also recommends an additional expenditure from the SGSR fund of $1.552 million each year to carry out these improvements.

Background

MDH license fees support the inspection activity for approximately 7,800 restaurants, bars, hotels, motels, resorts and lodging establishments in 47 counties. In addition, the food, beverage and lodging program licenses approximately 2,500 temporary food stands. Establishments are routinely inspected to identify and reduce risk factors found to cause food borne illness.

Minnesota has made a commitment to the U.S. Food and Drug Administration to follow their inspection model. This model is setting a national trend toward greater flexibility for establishments and greater consistency in inspections. Under this model, inspections focus on reducing the risk factors that cause illness and consulting on food security issues. This model creates a more effective program for reducing food borne illness. It is also a more time-intensive inspection. To maintain the department's current level of service and inspection frequency, a license fee increase is necessary to cover increased costs for additional positions needed.

The United States Congress recently amended the Richard B. Russell National School Lunch Act requiring two inspections of school kitchens per year instead of one inspection per year. We are proposing a new fee category for schools to reflect the additional required inspection that will be needed.

Licensing and inspection activities are conducted by a combination of state and local government agencies. Core components of the program, such as technical assistance and oversight, are conducted solely by MDH. Currently, there is no central database or repository for information on all licensed food, beverage and lodging establishments in Minnesota. Creating an integrated food safety and security information system is necessary in order to contact establishments in the event of an emergency or national threat, to conduct analysis of current food safety trends, and to assist the industry and the public in accurately communicating inspection activity.

A statewide hospitality fee will enable MDH to better respond to our constituents by establishing an integrated food safety and security information system, and lessen our dependence on uncertain and declining federal funds. Each food beverage and lodging establishment in the state (approximately 20,000) will be assessed a $35 fee.

Relationship to Base Budget

Base funding from the SGSR fund for the FB&L program is $2.535 million each fiscal year. The additional $1.552 million will support two FTEs for school inspections, four FTEs to maintain current services under the new inspection model, and two additional FTEs to provide statewide core functions.

License fees will be adjusted as follows: fees for schools will double; fees for establishments licensed by MDH will increase, on average, 27% (17% to maintain current services, and 10% to support statewide core functions).

License fees for FB&L establishments were last increased in FY 2001. This fee will ensure that program costs are fully recovered.

Key Measures

Data will be collected identifying the risk factors that cause illness. A central inspection database will be established for all Minnesota food, beverage and lodging establishments.

Statutory Change: M.S., Chapter 157

Fiscal Impact ($000s)	FY 2006	FY 2007	FY 2008	FY 2009
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
State Gov't Special Revenue Fund				
Expenditures	$186	$186	$186	$186
Revenues	$160	$215	$140	$231
Net Fiscal Impact	$26	($29)	$46	($44)

Recommendation

The Governor recommends an increase in revenue to the State Government Special Revenue (SGSR) fund from the laboratory certification program fee by $375,000 to support Minnesota's Environmental Laboratory Certification Program. The Governor also recommends a corresponding appropriation from the SGSR fund to maintain the program's activities. This fee increase will ensure that program costs are fully recovered.

Background

The Environmental Laboratory Certification program evaluates and inspects municipal and private laboratories that perform testing for state and federally authorized programs (such as the federal Safe Drinking Water program, Clean Water, Resource Conservation and Recovery program, and the Underground Storage Tank Programs). To be certified for a specific program, the laboratory must use the techniques for data quality assurance, and sample collection, analysis, preservation and handling specified by the U.S. Environmental Protection Agency. The state of Minnesota must guarantee that certified laboratories perform this testing.

The state of Minnesota requires that laboratories that perform water, soil, and waste testing for government agencies for regulatory purposes must be certified as specified in Minnesota Statute 144 and Minnesota Rule 4740. The MDH Environmental Laboratory Certification Program certifies laboratories that have provided assurance that appropriate systems are in place to generate reliable data.

The Laboratory Certification program fees were established in 2001. The current program costs now exceed program revenues. In addition, the proposed fee increase will cover the cost of additional staff needed to meet the growing expectations by the laboratory community for services such as training, database management, and technical consultations.

Relationship to Base Budget

Base funding from the SGSR fund for the Laboratory Certification program is $372,000. Costs will increase by $186,000 each fiscal year and will be offset by a corresponding fee increase, beginning in FY 2006. The proposed funding will support two additional FTEs.

Key Measures

⇒ Quality Assurance – The program will improve its ability to assure the quality of data from Minnesota certified laboratories by increasing the frequency of inspections from once every three years to once every two years.

⇒ Compliance with Federal Requirements – The program will provide assurance to the U.S. Environmental Protection Agency (EPA) that federal regulatory program testing is performed by laboratories certified to meet EPA specifications.

⇒ Cost Effective Service Delivery - The program will continue its emphasis on minimizing costs to the regulated community by striving for uniformity in certification programs nationwide and building reciprocal arrangements with nearby states that are mutually beneficial.

⇒ Collaboration with Other Agencies – The program will continue to work closely with the Minnesota Pollution Control Agency and environmental health programs within the MDH to assure the accuracy of data used to make decisions of public health significance.

Statutory Change: Fees are established in M.S. 144.98

Fiscal Impact ($000s)	FY 2006	FY 2007	FY 2008	FY 2009
General Fund				
Expenditures	$100	$100	$100	$100
Revenues	0	0	0	0
Net Fiscal Impact	$100	$100	$100	$100

Recommendation

The Governor recommends a General Fund appropriation of $100,000 each fiscal year for the Department of Health (MDH) to provide technical assistance to local units of government as they develop programs to remediate former methamphetamine (meth) lab sites.

Background

The illegal production and use of meth has been increasing in Minnesota since the late 1990s. In 2003, there were more than 500 clandestine drug labs where methamphetamine was made (meth labs) and other meth-related events (meth chemical dumps, anhydrous ammonia thefts) discovered in the state. Most of the meth labs (75%) were located away from the largest Minnesota cities, in rural or semi-rural areas.

Methamphetamine is made mostly from common household ingredients. When these ingredients are mixed and "cooked" together they make a dangerous drug and potentially harmful chemical residues that can remain on household surfaces for months or years after "cooking" is over. There may be health effects in people exposed to lab chemicals before, during and after the drug-making process.

At this time, one of the most serious concerns about meth lab contamination in Minnesota is human exposure to lab chemicals in homes and other structures or vehicles where people spend a lot of time. Therefore, each meth lab or meth chemical dump is a potential hazardous waste site, requiring evaluation, and possibly cleanup, by hazardous waste (HazMat) professionals.

The Meth Lab Program at the MDH, in conjunction with many public and private organizations, has been working to share resources, raise awareness, protect endangered children, provide training and equipment for first responders and other at-risk staff, and to help Minnesota communities work together to create a strong local response to this problem through education, training, and civil action.

In 2004, MDH meth program staff educational efforts reached an average of 2,000 individuals a month through group presentations; answered approximately 600 technical assistance requests per month by e-mail or phone; and provided approximately 7,500 pieces of educational material (handouts) per month. In 2004, the MDH meth program website had over 80,000 hits. MDH's leadership has provided the continuity for a multidisciplinary state and local agency response in the areas of law enforcement, treatment, child protection and prevention.

The Governor is recommending a comprehensive statewide response to the growing problem of meth; a response intended to support and augment but not replace local goals and efforts. One aspect of this legislation is a focus on remediation of structures that have been used to manufacture methamphetamine--mandating that state-wide ***remediation guidance***, procedures, and outcomes developed by the MDH be applied to all clean ups of properties contaminated by meth labs.

This proposal would be used to fund expertise in toxicology or industrial hygiene (needed to determine routes of airborne exposure through ventilation systems, etc. and how to remediate or mitigate those exposures) and to monitor, analyze and interpret the rapidly changing scientific research on the impacts of meth manufacturing and exposures to children in particular. Revisions to the existing cleanup guidance will be made based on this research and technical assistance will be provided to those individuals and taskforces implementing the remediation criteria.

Relationship to Base Budget

Current funding for meth-related activity at MDH is $256,000 from the General Fund, which includes 2.8 FTEs. The proposed funding of $100,000 will support one additional FTE.

Key Measures

Staff will respond to requests for information from local units of government concerning the technical aspects of a site-specific interior remediation of former meth lab sites (up to 1,000 requests per year).

Staff will revise MDH's Clandestine Drug Labs General Cleanup Guidance, based upon current body of scientific knowledge. As new scientific data is presented, related to exposures from smoking or cooking methamphetamine indoors, program staff activities will be focused on analyzing, interpreting and applying that knowledge to revise the cleanup guidance. It is anticipated that they will need to be revised every year for the next few years.

Fiscal Impact ($000s)	FY 2006	FY 2007	FY 2008	FY 2009
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
State Gov't Special Revenue Fund				
Expenditures	$250	$250	$250	$250
Revenues	($5)	($5)	($5)	($5)
Net Fiscal Impact	$255	$255	$255	$255

Recommendation

The Governor recommends an additional appropriation from the State Government Special Revenue (SGSR) fund for $250,000 each fiscal year for the Plumbing Program to ensure the program meets the demand for plan review service and associated inspections. In addition, the Governor recommends that a modification be made to the plumbing plan review fee schedule (thereby reducing SGSR revenues by $5,000) to better align the fees with the actual cost of service.

Background

New plumbing plan review fees were set in statute in 2003 (M.S. 326.42). These fees included an option for accelerated review that provides for a review within 15 business days of receipt of the plan at double the cost of the normal fee. This was an unexpectedly popular option in 2004. An appropriation increase would allow hiring of additional staff to meet this demand for service, as evidenced by the willingness of industry to pay a double fee for service within 15 business days. Failure to provide plan review in 15 days requires MDH to refund half the accelerated review fee.

Secondly, language to limit the amount of fees collected for certain types of plumbing system components was inadvertently left out of the new fee statute in 2003. Specifically, the fees for review of plumbing system interceptors, separators, and catch basins were to be based on the number of different designs submitted for each of these fixtures. Instead, the fee structure is based on the total number of these features in the plan. It isn't unusual to have multiple fixtures of the same design. However, it isn't necessary to review each individual fixture, and so the fee should be based on the number of unique designs for these plumbing system interceptors, separators, and catch basins.

As a consequence of basing the fee on number of these features rather than the number of designs, the fees collected for some projects exceed the cost of providing the plan review service. The revenue generated by these specific fees are greater than either anticipated or necessary to provide the plan review services, and consequently making this change will have no substantial effect on the program from either a revenue or service standpoint. This proposal will reduce cost to the regulated community.

Relationship to Base Budget

Base funding from the SGSR fund for the Plumbing Program is $1.581 million. These funds would increase the total program to $1.831 million (a 15% increase), and allow up to 2.5 FTEs to be added, as needed, to meet demand for service.

Forecasted revenues for this program are $1.843 million each fiscal year. The revenue change anticipated from clarifying the fee language is a reduction of $5,000 per year. This change is small for the department in terms of revenue, but the savings for an individual fee payer could be relatively large.

Key Measures

The key measure for this proposal would be time required to provide plan review service. The goal would be to complete all accelerated reviews within the maximum 15-day timeframe.

Statutory Change: M.S. 326.42

Fiscal Impact ($000s)	FY 2006	FY 2007	FY 2008	FY 2009
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
State Govt. Special Revenue Fund				
Expenditures	$356	$601	$601	$601
Revenues	0	$551	$551	$551
Net Fiscal Impact	$356	$50	$50	$50

Recommendation

The Governor recommends fee increases to generate an additional $551,000 in additional revenue to the State Government Special Revenue (SGSR) fund each fiscal year to maintain current service levels in the state Well Management Program. The Governor also recommends a corresponding appropriation from the SGSR fund of $356,000 in FY 2006 and $601,000 in FY 2007 to meet the program's ongoing needs.

Background

The state Well Program performs two essential health and safety protection functions: the protection of the drinking water for 70% of all Minnesotans; and the finding and sealing of abandoned wells, which, when buried and forgotten, act as permanent conduits for any future contamination to drain into our deep, geologically protected water bearing aquifers.

During the past decade, the Well Program has protected drinking water by dramatically improving the sanitary construction of new wells. The Well Program has nearly eliminated wells constructed too close to landfills, sewers, and septic systems; wells constructed with reject casing pipe salvaged from oil fields; and runaway flowing wells which can wash out hillsides and permanently devalue property.

There are an estimated 750,000 abandoned wells in Minnesota, some of which are buried or bulldozed every year, lost from memory, and thereafter threaten groundwater. This program now works actively with many industries and private citizens to have abandoned wells properly sealed, especially at property transfer. During the past 15 years, the well program has also overseen the permanent sealing of more than 190,000 abandoned wells in the state, strengthening the protection of one of Minnesota's greatest natural assets, its groundwater.

The requested funding changes are projected to adequately fund the program for the next four years and will address increased staff costs; increasing requests from citizens for information about their wells, or technical help with construction or water quality problems; and water testing and assistance after floods.

In addition to the above changes, the annual license fee for mineral explorers will be reinstated. Up until August 2003, Minnesota Rules, Chapter 4727 required Minnesota licensed mineral explorers to pay an annual license free of $50. License fees for all other types of well or boring contractors have previously been moved (in 1994) to M.S., Chapter 103I. Due to an oversight, this fee was not moved along with the others. We are therefore proposing to reestablish the state explorer's license fee now in M.S., Chapter 103I and set it at $75, the current statutory fee for other types of limited licenses.

Relationship to Base Budget

Base funding from the SGSR fund for the Well Management program is $3.524 million. The requested appropriation for FY 2006-07 represents a 17% increase. Fees were last adjusted in FY2003.

Fee revenues are forecasted to increase to $4.15 million by FY 2007. The proposed changes include an increase in: one-time fees for well notifications, permits, or variances from $150 to $175; the one-time fee for a well sealing from $30 to $35; the annual fee for an unused well maintenance permit from $125 to $150, and; the one-time fee for a well disclosure at property transfer from $30 to $40 (this includes a $5 increase in the portion of the well disclosure fee kept by the county recorder to cover processing costs). These changes will increase fee

revenue by 14%. The re-establishment of the mineral explorers' fee will generate only $1,000 in additional revenue.

Key Measures

Drinking Water Safety: Proper location and construction of wells protects the safety of our drinking water, and usually eliminates the need for costly water treatment. It was estimated in 1989, when the Groundwater Protection Act was passed, that between one third and one half of all new wells were not constructed to minimum sanitary standards. Since that time, compliance rates have steadily increased and are now at 95%. During this biennium, the program expects to maintain a well construction compliance rate of at least 95%.

Sealing Abandoned Wells: During this biennium, the program will oversee the permanent sealing of approximately 20,000 more abandoned wells.

Statutory Change: Minnesota Statutes, Chapter 103I

Fiscal Impact ($000s)	FY 2006	FY 2007	FY 2008	FY 2009
General Fund				
Expenditures	($65)	($65)	($65)	($65)
Revenues	0	0	0	0
Net Fiscal Impact	($65)	($65)	($65)	($65)

Recommendation

The Governor recommends that the General Fund budget be reduced by $65,000 each fiscal year by discontinuing the Office of Complementary and Alternative Practice.

Background

The Health Department's Office of Complementary and Alternative Practice (OCAP) investigates complaints and takes enforcement actions against unlicensed complementary and alternative health care practitioners for violations of prohibited conduct. The statutory authority for this office is designed to cover all unlicensed complementary and alternative healing methods and treatments. Practitioners under the jurisdiction of this office include massage therapist, homeopathic and naturopathic practitioners, and other "healing" practitioners.

OCAP conducts investigations filed by consumers of complementary and alternative practitioners. The Commissioner of Health has the authority to revoke or suspend the right to practice complementary and alternative health care practice, impose limitations or conditions on the practice, require supervision, censure or reprimand the practitioner, impose a civil penalty not exceeding $10,000 for each violation, and any other action justified by the case.

Relationship to Base Budget

Current funding for the office is $65,000 from the General Fund. One FTE supports the office. Under this proposal, OCAP and its functions will be eliminated.

Statutory Change: M.S., Chapter 146A

Fiscal Impact ($000s)	FY 2006	FY 2007	FY 2008	FY 2009
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
State Gov't Special Revenue Fund				
Expenditures	0	0	0	0
Revenues	($254)	($254)	0	0
Net Fiscal Impact	$254	$254	$0	$0

Recommendation
The Governor recommends suspending the commissioner's authority to collect the license renewal fees from occupational therapy practitioners for FYs 2006 and 2007, thereby reducing revenues to the State Government Special Revenue fund by $254,000 each fiscal year.

Background
A suspension in collection of license renewal fees for occupational therapy practitioners is authorized in the current biennium. Another suspension of renewal fees for the next biennium will eliminate the surplus account balance.

The surplus account balance accumulated because of a higher than estimated number of applicants applying for credentialing and collection of a surcharge during start-up of the licensing system. The commissioner was unable to repeal the surcharge sooner than the 2001 expiration date established in law.

This method of reducing the account balance is the most cost-efficient way to reimburse occupational therapy practitioners for overpayment of credentialing fees. At the time of renewal during FY 2006 and FY 2007, each licensee's renewal notice will indicate a license renewal fee of zero.

Relationship to Base Budget
Forecasted revenues for FY 2006-07 are $304,000 each year. This proposed change will significantly reduce the annual revenues for the next biennium in the occupational therapy licensing account (to $50,000 each year). The account balance in the State Government Special Revenue fund for Occupational Therapy licensing was $524,000 at the end of SFY 2004, and is forecasted to be $314,000 at the end of SFY 2005. Another suspension of renewal fees for the next biennium will eliminate the surplus in the account and leave a small, negative balance.

Key Measures
This change will not impact services delivered.

Statutory Change: M.S., Sect. 148.6445, Subd. 2

Fiscal Impact ($000s)	FY 2006	FY 2007	FY 2008	FY 2009
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
State Gov't Special Revenue Fund				
Expenditures	$1,104	$1,004	$1,804	$1,804
Revenues	$1,420	$1,420	$1,420	$1,420
Net Fiscal Impact	($316)	($416)	$384	$384

Recommendation

The Governor recommends an additional appropriation from the State Government Special Revenue (SGSR) fund of $1.104 million for FY 2006 and $1.004 million for FY 2007 for the Vital Records Program to support the administration of the electronic system of vital statistics by allowing for quality data to be collected, maintained and disseminated in a timely and accurate manner, while protecting the integrity of the data. In addition, the Governor recommends that the appropriation for the vital records program be further increased by an additional $800,000 each fiscal year of the 2008-09 biennium for upgrades to the electronic record system. This fee increase will ensure that program costs are fully recovered.

The Governor also recommends additional revenues of $1,420,000 per year from increasing the vital records fees.

Background

In accordance with the Vital Statistics Act (M.S., Sections144.211 to 144.227), the Office of the State Registrar (OSR) is responsible for the creation and maintenance of a statewide system of vital statistics. The State Registrar oversees a centralized electronic system for the processing of birth and death records and coordinates the work of OSR staff and over 100 local registrar offices in all 87 counties to issue birth and death certificates and provide other services related to birth and death records. Annually, these services include the issuance of over 600,000 birth and death certificates, over 35,000 corrections, amendments to and replacements of records. The State Registrar also coordinates the provision of data by nearly 600 funeral homes in Minnesota and neighboring states, medical examiner and coroner offices in all 87 counties, 110 hospitals, and hundreds of physicians throughout Minnesota. Together with these partners, OSR registers nearly 70,000 births and 38,000 deaths per year.

Over the past five years, there has been a significant change in the daily business of OSR. Highlights include:

⇒ The implementation of a centralized electronic system has increased data processing efficiency and security and has allowed birth and death certificates to be available statewide, rather than limited to the county where the birth or death occurred.
⇒ The implementation of a centralized electronic system has caused shifts in customer service patterns and increased state and county responsibilities for life cycle costs of the statewide computer system.
⇒ The increase of identity fraud issues has required changes in OSR policies and procedures to ensure compliance with statutes and rules governing tangible interest and amendments.

The processing of vital records has been primarily a fee-supported activity for many years. However, while the base fee for vital records and the special amendment/replacement fees have not increased in over 15 years the cost of operating the vital record system has increased, and OSR has relied on other, less stable funding sources.

In addition to business cost increases, shifting customer service patterns, life cycle costs of an electronic records system, and a realignment of responsibilities between the State Registrar and the local registrars have added cost pressures to the Office.

Finally, we are beginning to plan for the design, development, and implementation of improvements and upgrading of the centralized electronic system for processing birth and death records by the end of FY 2009.

Relationship to Base Budget

The base budget for the Vital Records Program is $1.701 million from the SGSR fund. The funding supports 24.2 FTEs. An additional 3.1 FTEs are supported by funds that are ending in FY 2005. These FTEs, and an additional three FTEs will be supported by the increased appropriation.

This proposal will increase the base fee for a certified copy of a record by $1 (from $8 to $9). The base fee is retained by the registrar who supplies the copy of the record and is intended to support the operations of that office. This proposal will also increase the surcharge on certified copies of a record by $2 (from $2 to $4). This surcharge is intended to support the operations of the centralized electronic records system. The surcharge revenue is retained by MDH and will support the upgrades to the system in the next biennium. Finally, this proposal will increase, by $20, the amendment/replacement/delayed registration fee. This activity has been done by local registrars in the past and is now centrally done by MDH.

Key Measures

⇒ Decrease turnaround times for requests from the public for amendments to birth records to within 5 business days from the request.
⇒ Maintain same day turnaround times for expedited requests for birth and death certificates.
⇒ Maintain next day turnaround times for expedited requests for amendments to birth and death records.
⇒ Increase to 75% the number of documents submitted to register births and deaths and amend birth and death records that are authenticated with the issuing entity.
⇒ Improve customer service and data integrity by increasing to 100% the number of completed amendments and replacements that are verified for accuracy.

Statutory Change: M.S., Sect. 144.226

Minnesota Department of **Human Services**

January 25, 2005

To the 2005 Minnesota Legislature:

On behalf of Governor Tim Pawlenty, I am submitting the Department of Human Services' recommendation for the 2006-07 biennial budget. Our proposed expenditures are $7.8 billion (General Fund) or $19.7 billion when all funds are included.

Human Services currently makes up 25% of state general fund spending, and 34% of all-funds spending. The rate of growth the department is experiencing makes it necessary to reduce some services to keep our spending from consuming an even larger portion of the state budget, thereby shortchanging other important priorities. However necessary, making reductions in human services is never easy. Because our mission is to help low-income people meet their basic needs, virtually any reduction in our budget represents the loss of a service someone finds important to their daily lives.

With that tension in mind, our goals in developing our budget were to meet statutory obligations, preserve core services for the most vulnerable people, make investments in key areas and reduce our rate of spending growth. Our decisions were based on the following principles:

- Statutory requirements, including public safety and treatment obligations under the Commitment Act will be met.
- Vulnerable children will be protected.
- Growth in costs will be reduced.
- Program integrity, customer service, and health outcomes for enrollees will be improved to better address health care costs into the future.
- Selected new programs will be delayed.

Thank you for your thoughtful consideration of our budget. We look forward to discussing these proposals in the months ahead.

Sincerely,

Kevin P. Goodno

Kevin Goodno
Commissioner

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2004	FY2005	FY2006	FY2007	2006-07
Direct Appropriations by Fund					
General					
Current Appropriation	3,301,811	3,561,155	3,561,155	3,561,155	7,122,310
Recommended	**3,301,811**	**3,524,869**	**3,804,964**	**3,976,829**	**7,781,793**
Change		(36,286)	243,809	415,674	659,483
% Biennial Change from 2004-05					14%
State Government Spec Revenue					
Current Appropriation	534	534	534	534	1,068
Recommended	**534**	**534**	**534**	**534**	**1,068**
Change		0	0	0	0
% Biennial Change from 2004-05					0%
Health Care Access					
Current Appropriation	273,722	302,272	302,272	302,272	604,544
Recommended	**273,722**	**257,741**	**490,748**	**559,856**	**1,050,604**
Change		(44,531)	188,476	257,584	446,060
% Biennial Change from 2004-05					97.7%
Federal Tanf					
Current Appropriation	270,175	277,515	267,227	267,227	534,454
Recommended	**270,175**	**267,227**	**283,567**	**280,959**	**564,526**
Change		(10,288)	16,340	13,732	30,072
% Biennial Change from 2004-05					5%
Lottery Cash Flow					
Current Appropriation	1,556	1,556	1,556	1,556	3,112
Recommended	**1,556**	**1,556**	**1,456**	**1,456**	**2,912**
Change		0	(100)	(100)	(200)
% Biennial Change from 2004-05					-6.4%
Expenditures by Fund					
Direct Appropriations					
General	3,358,704	3,562,443	3,804,964	3,976,829	7,781,793
State Government Spec Revenue	486	582	534	534	1,068
Health Care Access	312,137	255,386	490,748	559,856	1,050,604
Federal Tanf	254,787	267,291	283,567	280,959	564,526
Lottery Cash Flow	1,527	1,585	1,456	1,456	2,912
Open Appropriations					
Special Revenue	352	667	340	340	680
Statutory Appropriations					
General	37,981	60,724	59,290	59,037	118,327
Health Care Access	0	27,992	26,491	31,386	57,877
Special Revenue	237,521	291,047	146,643	151,106	297,749
Federal	3,751,869	3,734,189	3,899,164	4,072,690	7,971,854
Miscellaneous Agency	606,773	813,237	813,135	813,134	1,626,269
Gift	25	87	75	75	150
Endowment	1	1	1	1	2
Mn State Operated Comm Svcs	67,342	68,258	68,258	68,258	136,516
Mn Neurorehab Hospital Brainer	16,050	18,717	18,717	18,717	37,434
Dhs Chemical Dependency Servs	18,296	18,030	18,030	18,030	36,060
Total	**8,663,851**	**9,120,236**	**9,631,413**	**10,052,408**	**19,683,821**

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2004	FY2005	FY2006	FY2007	2006-07
Expenditures by Category					
Total Compensation	374,589	382,496	394,596	386,423	781,019
Other Operating Expenses	279,079	363,512	295,182	301,275	596,457
Payments To Individuals	6,531,120	6,837,933	7,404,438	7,822,408	15,226,846
Local Assistance	868,784	900,642	899,079	904,259	1,803,338
Other Financial Transactions	610,279	635,653	634,344	634,512	1,268,856
Transfers	0	0	3,774	3,531	7,305
Total	**8,663,851**	**9,120,236**	**9,631,413**	**10,052,408**	**19,683,821**
Expenditures by Program					
Agency Management	47,031	71,890	66,694	66,082	132,776
Revenue & Pass Through	988,734	1,192,957	1,184,236	1,185,011	2,369,247
Children & Economic Asst Gr	1,104,636	1,127,041	1,112,064	1,130,169	2,242,233
Children & Economic Asst Mgmt	85,431	101,407	100,115	101,143	201,258
Health Care Grants	3,268,873	3,288,979	3,727,833	3,995,803	7,723,636
Health Care Management	71,178	94,724	70,878	70,907	141,785
Continuing Care Grants	2,764,928	2,875,171	3,012,878	3,152,102	6,164,980
Continuing Care Management	32,026	40,356	34,313	34,527	68,840
State Operated Services	301,014	327,711	322,402	316,664	639,066
Total	**8,663,851**	**9,120,236**	**9,631,413**	**10,052,408**	**19,683,821**
Full-Time Equivalents (FTE)	**6,088.6**	**6,113.8**	**6,021.8**	**5,950.9**	

Dollars in Thousands

	FY2005	Governor's Recomm. FY2006	Governor's Recomm. FY2007	Biennium 2006-07
Fund: GENERAL				
FY 2005 Appropriations	**3,561,155**	**3,561,155**	**3,561,155**	**7,122,310**
Technical Adjustments				
Current Law Base Change		45,242	45,445	90,687
End-of-session Estimate		252,492	534,267	786,759
Fund Changes/consolidation		603	603	1,206
November Forecast Adjustment	(36,286)	102,994	197,007	300,001
Program/agency Sunset		(694)	(694)	(1,388)
Transfers Between Agencies		121,136	129,142	250,278
Subtotal - Forecast Base	**3,524,869**	**4,082,928**	**4,466,925**	**8,549,853**
Change Items				
Facilities Consolidation Lease Costs	0	4,537	4,767	9,304
Licensing Requirements	0	1,212	1,036	2,248
Fair Hearing Requirements	0	1,013	842	1,855
American Indian Child Welfare Project	0	0	4,838	4,838
Adoption Assistance & RCA Approp. Adj.	0	(1,340)	(1,491)	(2,831)
Prevent Homelessness After FC	0	1,157	1,151	2,308
Supp Housing Serv for Homeless	0	5,000	5,000	10,000
Delay Proj of Reg'l Significance	0	(25,000)	(25,000)	(50,000)
Freeze Max Child Care Rates	0	(33,351)	(37,214)	(70,565)
MDE Transfer Accounting Solutions	0	4,142	4,142	8,284
Finalize 2003 TANF Refinancing	0	(6,692)	(3,192)	(9,884)
Medicare Modernization Act Changes	0	(2,952)	(9,906)	(12,858)
Pharmaceutical Purchasing	0	(7,938)	(6,141)	(14,079)
Hospital Rate Reduction	0	(16,069)	(35,978)	(52,047)
Restructure MHCP Eligibility	0	51,377	43,840	95,217
Better Manage Health Care Costs	0	2,101	(350)	1,751
Refinance Health Care Programs	0	(259,823)	(420,338)	(680,161)
NF Quality and Rate Reform	0	(236)	(1,360)	(1,596)
Manage Waiver Caseload Growth	0	(13,372)	(38,074)	(51,446)
SOS Forensics Services Util.	0	17,731	19,797	37,528
Improve Mental Health Coverage	0	239	3,235	3,474
Methamphetamine Treatment	0	300	300	600
Total Governor's Recommendations	**3,524,869**	**3,804,964**	**3,976,829**	**7,781,793**
Fund: STATE GOVERNMENT SPEC REVENUE				
FY 2005 Appropriations	**534**	**534**	**534**	**1,068**
Subtotal - Forecast Base	**534**	**534**	**534**	**1,068**
Total Governor's Recommendations	**534**	**534**	**534**	**1,068**
Fund: HEALTH CARE ACCESS				
FY 2005 Appropriations	**302,272**	**302,272**	**302,272**	**604,544**
Technical Adjustments				
Current Law Base Change		(28)	(28)	(56)
End-of-session Estimate		64,706	97,884	162,590
November Forecast Adjustment	(44,531)	(61,132)	(164,336)	(225,468)
Subtotal - Forecast Base	**257,741**	**305,818**	**235,792**	**541,610**
Change Items				
Facilities Consolidation Lease Costs	0	1,396	1,443	2,839
Hospital Rate Reduction	0	(1,312)	(2,430)	(3,742)
Restructure MHCP Eligibility	0	(77,923)	(97,331)	(175,254)
Better Manage Health Care Costs	0	2,946	2,044	4,990
Refinance Health Care Programs	0	259,823	420,338	680,161
Total Governor's Recommendations	**257,741**	**490,748**	**559,856**	**1,050,604**
Fund: FEDERAL TANF				

Dollars in Thousands

	FY2005	Governor's Recomm. FY2006	Governor's Recomm. FY2007	Biennium 2006-07
FY 2005 Appropriations	**277,515**	**267,227**	**267,227**	**534,454**
Technical Adjustments				
Current Law Base Change		3,468	6	3,474
End-of-session Estimate		4,045	(1,404)	2,641
November Forecast Adjustment	(10,288)	8,827	15,130	23,957
Subtotal - Forecast Base	**267,227**	**283,567**	**280,959**	**564,526**
Total Governor's Recommendations	**267,227**	**283,567**	**280,959**	**564,526**
Fund: LOTTERY CASH FLOW				
FY 2005 Appropriations	**1,556**	**1,556**	**1,556**	**3,112**
Technical Adjustments				
Current Law Base Change		(100)	(100)	(200)
Subtotal - Forecast Base	**1,556**	**1,456**	**1,456**	**2,912**
Total Governor's Recommendations	**1,556**	**1,456**	**1,456**	**2,912**
Fund: SPECIAL REVENUE				
Planned Open Spending	**667**	**340**	**340**	**680**
Total Governor's Recommendations	**667**	**340**	**340**	**680**
Fund: GENERAL				
Planned Statutory Spending	**60,724**	**59,290**	**59,037**	**118,327**
Total Governor's Recommendations	**60,724**	**59,290**	**59,037**	**118,327**
Fund: HEALTH CARE ACCESS				
Planned Statutory Spending	**27,992**	**26,491**	**31,386**	**57,877**
Total Governor's Recommendations	**27,992**	**26,491**	**31,386**	**57,877**
Fund: SPECIAL REVENUE				
Planned Statutory Spending	**291,047**	**146,476**	**150,939**	**297,415**
Change Items				
Licensing Requirements	0	167	167	334
Total Governor's Recommendations	**291,047**	**146,643**	**151,106**	**297,749**
Fund: FEDERAL				
Planned Statutory Spending	**3,734,189**	**3,899,164**	**4,072,690**	**7,971,854**
Total Governor's Recommendations	**3,734,189**	**3,899,164**	**4,072,690**	**7,971,854**
Fund: MISCELLANEOUS AGENCY				
Planned Statutory Spending	**813,237**	**813,135**	**813,134**	**1,626,269**
Total Governor's Recommendations	**813,237**	**813,135**	**813,134**	**1,626,269**
Fund: GIFT				
Planned Statutory Spending	**87**	**75**	**75**	**150**
Total Governor's Recommendations	**87**	**75**	**75**	**150**
Fund: ENDOWMENT				
Planned Statutory Spending	**1**	**1**	**1**	**2**
Total Governor's Recommendations	**1**	**1**	**1**	**2**
Fund: MN STATE OPERATED COMM SVCS				
Planned Statutory Spending	**68,258**	**68,258**	**68,258**	**136,516**
Total Governor's Recommendations	**68,258**	**68,258**	**68,258**	**136,516**
Fund: MN NEUROREHAB HOSPITAL BRAINER				
Planned Statutory Spending	**18,717**	**18,717**	**18,717**	**37,434**
Total Governor's Recommendations	**18,717**	**18,717**	**18,717**	**37,434**

Dollars in Thousands

	FY2005	Governor's Recomm. FY2006	Governor's Recomm. FY2007	Biennium 2006-07
Fund: DHS CHEMICAL DEPENDENCY SERVS				
Planned Statutory Spending	**18,030**	**18,030**	**18,030**	**36,060**
Total Governor's Recommendations	**18,030**	**18,030**	**18,030**	**36,060**
Revenue Change Items				
Fund: GENERAL				
Change Items				
Facilities Consolidation Lease Costs	0	1,243	1,312	2,555
Licensing Requirements	0	887	772	1,659
Fair Hearing Requirements	0	405	337	742
Prevent Homelessness After FC	0	32	29	61
MDE Transfer Accounting Solutions	0	4,142	4,142	8,284
Medicare Modernization Act Changes	0	422	717	1,139
Better Manage Health Care Costs	0	1,552	1,657	3,209
Refinance Health Care Programs	0	0	(112,878)	(112,878)
SOS Forensics Services Util.	0	1,773	1,980	3,753
Improve Mental Health Coverage	0	34	34	68
Finalize 2003 TANF Refinancing	0	(6,692)	(3,192)	(9,884)
Fund: HEALTH CARE ACCESS				
Change Items				
Facilities Consolidation Lease Costs	0	559	577	1,136
Restructure MHCP Eligibility	0	174	0	174
Better Manage Health Care Costs	0	1,173	840	2,013
Refinance Health Care Programs	0	0	112,878	112,878
Fund: SPECIAL REVENUE				
Change Items				
Licensing Requirements	0	167	167	334

Fiscal Impact ($000s)	FY 2006	FY 2007	FY 2008	FY 2009
General Fund				
Expenditures	$4,537	$4,767	$4,767	$4,767
Revenues	1,243	1,312	1,312	1,312
Health Care Access Fund				
Expenditures	1,396	1,443	1,443	1,443
Revenues	559	577	577	577
Net Fiscal Impact	$4,131	$4,321	$4,321	$4,321

Recommendation

The Governor recommends an increased appropriation to the Department of Human Services to cover the increased lease costs associated with the consolidation of nine metro locations into three.

Background

The Department of Human Services is consolidating office space from nine current metro locations into three – a new building at 540 Cedar Street (Andersen Human Services Building), a leased facility at 444 Lafayette (Lafayette building), and the Department's operations center in Lafayette Park.

The rent rate for the Andersen Human Services Building will be higher than the current negotiated rates on other DHS facilities. The rate is estimated to be $34.34 per square foot; for comparison, the current rate on the Lafayette building is $22.23 per square foot. However, the state will have the option of purchasing the building for $1 at the end of the 25-year lease. As a result of this lease-purchase option, an analysis conducted prior to the start of the project determined that the overall cost to the state will be lower than it would otherwise be in the long term. Like other General Fund expenditures, federal reimbursement reduces the cost of the overall proposal.

Although the relocation of staff will be done in a rapid and carefully coordinated phased move into both the Andersen and Lafayette buildings, the Department will experience some double-rent costs during the transition period.

This proposal would increase the funding to the Department to address this increase in lease costs.

Key Measures

Please see http://www.departmentresults.state.mn.us/hs/index.html for a listing of Department measures.

Statutory Change: Not Applicable.

Fiscal Impact ($000s)	FY 2006	FY 2007	FY 2008	FY 2009
General Fund				
Expenditures	$1,212	$1,036	$1,036	$1,036
Revenues	887	772	772	772
Special Revenue				
Expenditures	167	167	167	167
Revenues	167	167	167	167
Net Fiscal Impact	$325	$264	$264	$264

Recommendation

The Governor recommends an increase to fees and appropriations to:

⇒ Meet current statutory performance requirements for licensing and maltreatment investigations.

⇒ Implement improved licensing oversight of residential services for children in out-of-home placements (known as the "umbrella rule"), effective 7-1-05.

⇒ Address increased costs of conducting background studies.

Background

Licensing Performance Standards

Current program. In cooperation with counties, the Department licenses approximately 27,000 providers, and monitors and investigates their compliance with Minnesota laws and rules. The purpose of licensing is to protect the health, safety and rights of those receiving services by requiring that providers meet minimum standards of care and physical environment.

⇒ Counties have primary responsibility for monitoring *family* child care, child foster care and adult foster care programs (approximately 23,000 programs).

⇒ The Department has full responsibility for licensing child care *centers*; adolescent group homes; and residential, outpatient and day training treatment programs for people with chemical dependency, mental health problems or developmental disabilities (approximately 4,000 programs).

Licensors conduct license inspections for new and existing programs, monitor compliance with license requirements, process variances to licensing rules, conduct complaint investigations and provide limited technical assistance. When problems are found, licensors may issue correction orders and fines or place a program's license on conditional status or suspend or revoke a license.

Each year, the Department also investigates about 700 allegations of maltreatment of children or vulnerable adults in licensed programs.

See http://www.budget.state.mn.us/budget/operating/200607/background2/humanservices.pdf for further information about licensing activities conducted by the department.

State statute requires that licensing activities be completed within the timelines listed in the Key Measures section below. The Department continues to gain efficiencies through reorganization of workflow and increased use of technology; however, in some cases statutory regulations have not been met.

Proposal details. In order to meet the statutory requirements for licensing performance, this proposal would:

⇒ Increase the Department's staff levels by 13 full-time equivalents.

⇒ Restructure license fees for home and community-based services (waiver) providers to increase revenues by approximately $292,000 per year by establishing a base rate of $250 per license plus $38 per client served. (There are currently approximately 876 licenses and 11,245 clients served). The current license fee is $400

per license regardless of the number of clients served by the license holder. This fee currently generates approximately $348,000 per year;

⇒ Lower license fees for license-holders serving three or few clients. (For example, a license-holder serving one client would have a license fee of $288 ($250 + $38) instead of $400). Those serving more than four clients would have higher license fees. (For example, a program serving 10 clients would have a license fee of $630 instead of the flat rate of $400.)

Umbrella Rule Implementation

Current program. In addition to conducting licensing activities under current standards, the Department is required to implement changes to regulatory oversight of residential services for children in out-of-home placement beginning 7-1-05.

Children placed in residential facilities often require an array of services such as transitional services, chemical dependency and mental health treatment, and correctional services, to address multiple issues. Because only one service may be licensed per program under current state rules, the 1995 Legislature directed DHS and DOC to jointly develop one set of consistent licensing standards for all residential services for children in out-of-home placement (referred to as the Umbrella Rule).

The two Departments jointly promulgated rules governing the licensure and certification of residential treatment and detention facilities and foster homes for children and juveniles (Minnesota Rules, chapter 2960). Chapter 2960 replaces five human services' and four corrections' rules and creates a new certification category for programs that offer transitional services. The rule also establishes standards for foster homes that offer treatment foster care.

When fully implemented, the new rule will affect approximately 5,500 providers who serve approximately 17,500 children on an average daily basis. The umbrella rule increases the likelihood that children will be placed in the most appropriate residential setting regardless of their entry point into the system. Children's needs will be addressed across the full continuum of services ranging from foster care in a family setting to environments with much greater structure, including security or treatment services provided on site. Some of the regulated on-site services will include treatment for chemical dependency or mental health, behavior therapy for sexual offenders with predatory behavior, or any combination of these services.

The child foster care component was implemented effective 1-1-04. The remainder of the rule was delayed until 7-1-05, so that the issue of administrative resources for implementation could be addressed as part of the budget planning cycle.

The new rule impacts the Department workload in the following manner:

⇒ The survey time, education, and technical assistance for the 68 programs DHS already licenses will double under the new rule.

⇒ 50 programs that are currently licensed by DOC will also require DHS certification to provide mental health treatment services (35 programs) or chemical dependency treatment services (15 programs). The jurisdiction for investigating child maltreatment in these 50 programs will shift from counties to DHS.

⇒ Five programs that are currently licensed by DHS will require additional DHS certification to provide chemical dependency treatment services.

The Department is not able to implement the new umbrella rule with current staffing levels without further exacerbating the issue of the agency's performance of current licensing functions and maltreatment investigations.

Proposal details. To implement the umbrella rule, this proposal would increase the Department's staff levels by two full-time equivalents.

Background Study Costs

Current program. In addition to licensing, the Department conducts about 167,000 background studies each year on people having direct contact with children or vulnerable adults as providers licensed by the Minnesota Departments of Human Services, Corrections and Health as well as specified non-licensed providers. These background studies are intended to prevent people with serious criminal records or records of maltreatment of children or vulnerable adults from working in licensed programs.

M.S. 245C.03 requires the Commissioner to conduct background studies on non-licensed personal care provider organizations (PCPOs) and supplemental nursing services agencies (SNSAs). M.S. 524.5-118 requires the Commissioner to conduct background studies on court-appointed guardians. In FY 2004 10,279 studies were completed for PCPOs; 5,345 studies for SNSAs; and 2,559 studies for court-appointed guardians. The remainder of background studies are conducted for providers licensed by the Minnesota Departments of Human Services, Corrections and Health.

The Human Services Background Study Act provides for comprehensive services to background-study customers. The study includes Bureau of Criminal Apprehension (BCA) records; Federal Bureau of Investigation (FBI) records when indicated; a review of substantiated maltreatment of children and vulnerable adults as determined by the DHS, MDH, and all 87 county adult-protection agencies. When indicated, the Department also pursues criminal records and maltreatment findings in other states. The Department maintains a data base to ensure information is taken into account about any current maltreatment investigation, as well as any history of set asides or variances

The Department makes disqualification decisions and offers an extensive system of due process to affected parties. There is no cost to the study subject for reconsiderations, fair hearings, or contested case hearings.

The current fees for background studies for PCPO, SNSA, and court appointed guardian background studies are no longer adequate to cover the direct and in-direct costs of conducting these comprehensive studies. The amount of the fee for background studies completed for SNSAs and PCPOs is set forth in M.S. 245C.1, as $8 and $12 per study, and the amount for court-appointed guardians is set forth in M.S. 245A.32 as $12.

The BCA charges $15 for a full-criminal-history record that contains public and private criminal history information and makes some public criminal history information available through the BCA web-site for $5. The background study services provided by the department are more comprehensive.

Proposal details. This proposal would increase the fee to $20 per background study for non-licensed entities required to have a background study completed by the department. The increase in fees would address expenses of conducting background studies and assist in advancing the technology necessary to expand web-based applications to provide faster services. The average *direct* cost per background study is $14.82, based on 21,000 background studies (and 450 subsequent fingerprints). The fee increase would also cover the *indirect* costs to the state's General Fund.

Key Measures

- Investigations of licensing complaints completed within an average of 75 days.
- Licensing reviews completed within the one-year and two-year intervals set forth in statute.
- Negative licensing action decisions completed within 45 days of county recommendations.
- Maltreatment investigations completed within 60 days.
- Timely completion of background study requests.

Statutory Change: M.S. §245A.10, subd. 5; §245C.10 and §245C.32, subd. 2

Change Item: Meeting Statutory Requirements for Administrative Fair Hearings

Fiscal Impact ($000s)	FY 2006	FY 2007	FY 2008	FY 2009
General Fund				
Expenditures	$1,013	$842	$842	$842
Revenues	405	337	337	337
Net Fiscal Impact	$608	$505	$505	$505

Recommendation

The Governor recommends an increased appropriation to meet federal and state requirements pertaining to the provision of administrative fair hearings for applicants or recipients of human services benefits.

Background

The human services appeals process is a mechanism by which an applicant for or recipient of various forms of human services benefits may obtain impartial review of specified adverse or negative decisions affecting those benefits. The foundation for this process is the case of *Goldberg v. Kelly*, in which the court concluded that procedural due-process required the opportunity to seek a hearing before a state could terminate one's benefits. To formally incorporate the requirements of *Goldberg*, the Minnesota Legislature enacted M.S. 256.045 in 1976. This provides for an adjudicatory system in which appeals referees conduct evidentiary hearings and make recommended decisions to the Commissioner of Human Services. See http://www.budget.state.mn.us/budget/operating/200607/background2/humanservices.pdf for further information about administrative fair hearings conducted by the Department.

Initially the hearings were limited to a review of denials of new applications for assistance, reductions or terminations of ongoing payments, and determinations that past benefits were incorrectly paid in a rather narrow range of public assistance programs. Over the years, however, the powers of the appeals process have been expanded to include review of the nature, level and quality of social services, and determinations that one has maltreated a child or vulnerable adult.

In 2003 M.S. 256.045 was augmented by enacting M.S. 256.045. This is a comprehensive set of procedural rules governing all aspects of the appeals process.

In 2003 the number of appeals to the Department began to rise dramatically to nearly 500 per month, an increase of over 40%. This elevated number of appeals has continued in 2004, and there is no indication that the number of appeals will drop. In recent years the focus of appeals has evolved from simple, single issue questions of eligibility to multifaceted inquiries into people's medical and social services needs. In addition, the appeals function now reviews determinations of maltreatment of children and vulnerable adults and these generally are protracted hearings.

The increased number and complexity of appeals has caused a substantial reduction in the compliance rates for timely issuance of decisions, from 95% timely to less than 70% timely.

Untimely decisions are a problem for a number of reasons:

- They violate federal and state law.
- They expose the Department to potential federal fiscal sanctions.
- They expose the state to potential litigation.
- In some cases the delay results in delayed receipt of benefits by someone who is entitled to the benefits; and conversely in some cases a delay results in an individual continuing to receive benefits beyond the time where they are eligible to receive those benefits.
- Delays erode clients' confidence in the human service delivery system in general, as well as their confidence in the fairness of the appeals process itself.

The appeals function currently has 14 appeals referees, a chief appeals referee and four clerical support staff. Funding for two of the referee positions will end on 6-30-05.

Generally one referee can meet established timelines 95% of the time if the referee has an assigned caseload of 25 appeals per month or 300 appeals annually. With this caseload, the referee has an average of 6.9 hours per appeal. At the present time 14 referees are each attempting to manage a caseload of 39 appeals per month or 470 appeals annually. With this caseload, the referee is limited to an average 4.4 hours per appeal. This overload has led to decreased timeliness in issuing decisions.

Additional resources are required to enable this function to meet federal and state requirements for fair hearings.

Proposal Details
This proposal would increase the Department's base-funding staff level by eight referees and three clerical support staff to enable the human service appeals function to meet federal and state requirements for fair hearings. (Due to the termination of funding for two referee positions on 6-30-05, this is an increase of only six referees over FY 2005 funding levels.)

Key Measures
Compliance with state and federal timelines for appeals decisions.

Alternatives Considered
An alternative to increasing department funding to address this issue would be to move this function to the Office of Administrative Hearings (OAH). The fiscal impact would be significant, as OAH would bill the agency $135 per hour for administrative law judges and $74 per hour for staff attorneys. Based on the department's licensing appeals currently handled by OAH, the average cost per appeal would be close to $5,000. (90 cases disposed of in FY 2004, at a total cost of $436,677).

Statutory Change: Not Applicable

Fiscal Impact ($000s)	FY 2006	FY 2007	FY 2008	FY 2009
General Fund Expenditures	0	$4,838	$4,838	$4,838
Net Fiscal Impact	0	$4,838	$4,838	$4,838

Recommendation

The Governor recommends an appropriation for a project that would enable up to two tribes to provide the full continuum of child welfare services to American Indian children living on the participating tribe's reservations.

Background

Current Program

American Indian children are greatly over-represented in out-of-home placements. In 2003, approximately 1,000 American Indian children from one of the 11 tribes with reservations in Minnesota were alleged to have been abused or neglected; 48% of those were determined to be abused or neglected. During this same time period, over 1,300 American Indian children were served in out-of-home care. American Indian children are six times more likely than other children to be removed from their home.

The costs for out-of-home placement *alone* for White Earth and Leech Lake are estimated to exceed $4 million in county and federal dollars each year. This is in addition to other child welfare costs such as prevention, assessment, and family preservation.

Tensions between some tribes and counties regarding authority, obligations and funding capacity inhibit the best provision of service to these children. The Department would provide fiscal and technical support to up to two participating tribal bands to increase their capacity to provide child welfare services to enrolled members on the reservation. This proposal would relieve counties in the project area of a significant financial burden and allow greater self-determination for tribes regarding the welfare of Indian children.

Proposal Details

The tribal band would enter into an agreement to provide the full continuum of child welfare services, including family preservation, early intervention, support services, and out-of-home care, and would provide assurances of compliance with federal and state law regarding child welfare. At the same time, affected counties would be relieved of the same responsibilities for the population affected.

The Department would provide the non-federal share of resources for child welfare services provided to enrolled members on the reservation and pass through appropriate federal funds.

The proposal is expected to increase the provision of more culturally appropriate services, reduce county-tribal disagreements and tensions, and enhance tribal strengths and resources in a manner that improves outcomes for children. The Department would study outcomes related to child safety, permanency and well-being for American Indian children of the participating tribes.

The fiscal impact is based on estimates for White Earth and Leech Lake Tribes for the full continuum of child welfare services. Actual costs will vary depending on the sites selected for the project. If the Department receives federal approval of the Tribal-State IV-E agreement, state costs would be reduced by approximately one-third.

Key Measures

⇒ Percent of children who do not experience repeated neglect or abuse within 12 months of prior report.
⇒ Percent of children entering foster care without a prior out-of-home placement in the previous 12 months.
⇒ Percent of children reunified in less than 12 months from the time of the latest removal from their home.

Please see http://www.departmentresults.state.mn.us/hs/index.html for a report on the status of these measures.

Statutory Change: M.S. 256.01, subd. 14

Change Item: Adjust Appropriation for Adoption Assistance & Relative Custody Assistance

Fiscal Impact ($000s)	FY 2006	FY 2007	FY 2008	FY 2009
General Fund				
Expenditures	($1,340)	($1,491)	$1,500	$4,508
Net Fiscal Impact	($1,340)	($1,491)	$1,500	$4,508

Recommendation

The Governor recommends that the appropriation for Adoption Assistance and Relative Custody Assistance be adjusted to align with projected expenditures. The most recent projections for the FY2006-07 biennium show slower growth in these two programs than was previously expected.

Background

Current Program

There are approximately 1,500 children under state guardianship. Close to 700 children per year experience a termination of parental rights and are in need of adoption. Another 400 children per year experience a transfer of permanent legal and physical custody to a relative or person significant to the child.

Some adoptive parents and legal custodians assume parenting responsibility for children who have experienced serious neglect and often emotional or physical abuse. Many of these children have additional neurological or medical issues and often require psychological, medical, educational, and social services. Parents adopting these children have difficulty meeting the special needs without financial and other supports. If parents were not willing to make these children part of their family, many of the children would continue to be wards of the state, and counties would continue to pay for foster care.

⇒ **Adoption Assistance (AA)**. The AA Program provides financial assistance to adoptive parents to purchase ongoing and specialized services integral to addressing the special needs of a child described above. The AA caseload is changing primarily as a function of the number of children with special needs who have been committed to state guardianship and the state and county success in finding and supporting adoptive families. For 80% of these children, federal Title IV-E funding covers half of the assistance.

⇒ **Relative Custody Assistance (RCA).** Similar to AA, RCA provides monthly financial assistance to a relative or person-significant-to-the-child who accepts permanent legal and physical custody, except that the monthly payment is adjusted based on the relative custodian's gross family income. The juvenile court must first determine that it is in the child's best interests to transfer permanent legal and physical custody rather than terminate parental rights. Thus, there is little or no difference in the needs of children experiencing a transfer of permanent legal and physical custody in comparison to those experiencing a termination of parental rights. RCA is funded entirely with state dollars.

There is a high degree of interactivity among foster care, adoption assistance, and relative custody assistance. Children reside in foster care and other residential treatment facilities during family reunification efforts. The primary permanency options for children who cannot return home are adoption or transfer of permanent legal and physical custody. See http://www.budget.state.mn.us/budget/operating/200607/background2/humanservices.pdf for further information about these programs.

Proposal Details

This proposal would maintain services by adjusting the appropriation for AA-RCA to align with the projected utilization of the program: a reduction in FYs 2006-07 and an increase in FYs 2008-09.

Key Measures

- Percentage of children adopted in fewer than 24 months from the time of latest removal from their home.

See http://www.departmentresults.state.mn.us/hs/index.html for a current report on the status of these measures.

Statutory Change: Not applicable.

Change Item: Prevent Homelessness for Young Adults Transitioning from Long-term Foster Care

Fiscal Impact ($000s)	FY 2006	FY 2007	FY 2008	FY 2009
General Fund				
Expenditures	$1,157	$1,151	$1,151	$1,151
Revenues	32	29	29	29
Net Fiscal Impact	$1,125	$1,122	$1,122	$1,122

Recommendation

The Governor proposes an appropriation for a partnership to help transition and prevent homelessness for older youth as they leave long-term foster care.

Background

Current Program

In 2003, approximately 1,200 youth over age 16 were either wards of the state or had a permanency disposition of long term foster care. More than half of these youth had a disability that further impaired their ability to achieve and sustain housing. These youth age out of the foster care system when they turn 18 and complete their senior year of high school; and the degree to which they are prepared to live independently varies greatly across the state.

According to the Wilder Research Center, in 2003 there were between 500 and 600 homeless youth in Minnesota. Seventy percent of these homeless youth have experienced a placement in a foster home, group home or corrections facility. Forty-one percent of homeless adults report that they have a physical, mental or other health condition that limited the kind or amount of work they could do.

Youth who are prepared and supported in their transition toward adulthood are more likely to achieve and sustain economic self-sufficiency and less likely to depend on public services in the longer term.

Programs to assist youth are not available statewide. County social service agencies lack the capacity to provide comprehensive transition planning and services to assure that all youth exiting foster care --and especially those with a disability-- are equipped with the skills to successfully transition to independent living.

This proposal is based on the development of a partnership involving public, business, and philanthropic resources to assist in transitioning older youth from foster care and reducing their risk of homelessness.

The proposal would include a comprehensive assessment of youth in transition; development and implementation of an independent living plan for the individual that would utilize the strengths and resources of all of the partners. Youth would be taught life skills such as money management, securing and maintaining housing, health management and job training. Youth would be connected with caring adults to teach them skills and to support their development and transition to adulthood. Youth would be given opportunities to pursue post-secondary education or employment.

In coordination with the resources of other partners, this proposal would:

- Support transitional planning targeted to youth in foster care who are ages 16 and older and have a disability.
- Provide housing assistance to an estimated 140 youth who exit foster care each year and are age 18 to 21.
- This proposal would provide one full-time-equivalent employee to the Department to administer and coordinate these projects.

The Department would request proposals from vendors who would partner with counties and assist these at-risk 16 to 21 year-olds in establishing an independent living plan with housing support.

Change Item: Prevent Homelessness for Young Adults Transitioning from Long-term Foster Care

Key Measures

Performance will be measured by the number of youth that complete an assessment and transition plan, obtain a high school degree, participate in a work/training program, enroll in a post-secondary educational setting and are established in housing.

Statutory Change: Not Applicable

Change Item: Address Homelessness with Supportive Housing Service Grants

Fiscal Impact ($000s)	FY 2006	FY 2007	FY 2008	FY 2009
General Fund Expenditures	$5,000	$5,000	$5,000	$5,000
Net Fiscal Impact	$5,000	$5,000	$5,000	$5,000

Recommendation

The Governor recommends providing flexible service funding to support the State's goal of ending long-term homelessness in Minnesota by 2010. This proposal would provide $5 million per year in flexible service funding to consortia of counties for supportive housing projects that address the needs of the long-term homeless.

Background

It is the State's goal to end long-term homelessness in Minnesota by 2010 by providing housing and support services to 4,000 individuals and families experiencing long-term homelessness. In 2003, the Minnesota Legislature, at the request of Governor Tim Pawlenty, directed the Commissioners of Human Services, Corrections, and Housing Finance to convene a broadly representative working group to address the issue of long-term homelessness in Minnesota. This group developed the Business Plan to End Long-Term Homelessness, which was made public in March 2004.

The key strategy for ending long-term homelessness, as outlined in the business plan, is to provide people experiencing long-term homelessness a permanent place to live, along with the support services they will need to remain successfully housed over the long term. According to a 2003 Wilder Survey, 52% of people experiencing long-term homelessness have a serious and persistent mental illness, 33% have a chemical dependency problem, 24% have a dual diagnosis of mental illness and chemical dependency addiction, and 48% have a chronic health condition. Services are needed to address these issues, many of which prevent people from being successfully housed.

Service funding is largely based on an individual's personal characteristics, such as age, disability and/or county of residence. A portion of people who experience long-term homelessness are not eligible for existing programs and, even for those who do qualify, these mainstream programs do not provide all the necessary supports to keep this population permanently housed. This gap creates numerous problems in both developing supportive housing and in assuring adequate funding for ongoing services. A flexible service fund would address these issues and is an essential component of achieving the State's goal to end long-term homelessness.

Regional and cooperative efforts would receive priority in order to provide seamless service delivery to eligible participants. Projects would need to leverage other funding as well as maximize the use of mainstream funding. The initiative is expected to fund a limited number of service proposals. These funds would be administered by the Department with the cooperation of the MN Housing Finance Agency (MHFA) through a competitive proposal process.

Counties would be expected to coordinate the service funding with supportive housing opportunities funded through MHFA.

http://www.mhfa.state.mn.us/about/about_reports.htm

Key Measures

- The number of supportive housing settings for long-term homelessness with associated service funding.

Statutory Change: Minn. Stat. 256K.25

Fiscal Impact ($000s)	FY 2006	FY 2007	FY 2008	FY 2009
General Fund Expenditures	($25,000)	($25,000)	0	0
Net Fiscal Impact	($25,000)	($25,000)	0	0

Recommendation

The Governor recommends a reduced appropriation to accompany a two-year delay in implementation of the projects of regional significance portion of the Children and Community Services Act grant program.

Background

The 2003 Legislature adopted a recommendation to consolidate funding for the Children and Community Services Act (CCSA), M.S., 256M.01 to 256M.80. The focus of the act is to support people who experience disparate treatment and poor outcomes due to factors such as dependency, abuse, neglect, poverty, disability and chronic health conditions. The act also provides services for family members to support those individuals.

The Legislature appropriated approximately $100 million per year for the consolidated fund --$25 million lower than earlier funding for related activities. Current law provides that the base funding level will be restored to approximately $125 million in FY 2006, designating the $25 million increase for implementation of projects of regional significance.

The projects of regional significance are intended to support and further trends in the development of human services capacity and service delivery on a regional basis.

This proposal would delay implementation of projects of regional significance to 7-1-07.

Statutory Change: M.S. 256M.40, Subd. 2

Change Item: Freeze Maximum Rates Paid for Child Care Assistance

Fiscal Impact ($000s)	FY 2006	FY 2007	FY 2008	FY 2009
General Fund Expenditures	($33,351)	($37,214)	($37,006)	($36,433)
Net Fiscal Impact	($33,351)	($37,214)	($37,006)	($36,433)

Recommendation

The Governor recommends extending the freeze on maximum rates paid to child care providers under the Child Care Assistance Program through June 30, 2007 and restricting growth in rates to a general inflation factor beginning July 1, 2007.

Background

The Department pays providers for child care provided to children whose families meet the eligibility requirements of the Child Care Assistance Program (CCAP) under Minnesota Families Investment Program (MFIP), including a transition year (TY), or Basic Sliding Fee Program (BSF). See http://www.budget.state.mn.us/budget/opreating200607/background2/humanservices.pdf for further information about these programs.

In 2003, state law changes re-focused eligibility for the child care program on lower income families and generated savings by limiting eligibility to families with incomes at or below 175% of the federal poverty guidelines (FPG) and continuing eligibility to families up to 250% of FPG, increasing family co-payments, and adjusting rates paid to providers. The maximum rates under CCAP were frozen for the FY 2004-05 biennium at the 2003 level. This proposal would continue to freeze rates paid to providers under the Child Care Assistance Program based on maximum payment rates that were set for 2003. Beginning in FY 2008, cost growth would be contained by setting maximum rates payable to providers on a general inflation factor using the Consumer Price Index (CPI). It is assumed that maximum rates in effect during SFY 2007 are the base for the increase based on the CPI beginning in FY 2008.

Because of its impact on state spending, this proposal would require changes to provisions defining the state's maintenance of effort necessary to access federal Temporary Assistance for Needy Families (TANF).

Statutory Change: M.S. 119B.13

Repeal 2003 First Special Session, Chapter 14, H.F. No. 6, Article 9, Section 34

Fiscal Impact ($000s)	FY 2006	FY 2007	FY 2008	FY 2009
General Fund				
Expenditures	$4,142	$4,142	$4,142	$4,142
Revenues	4,142	4,142	4,142	4,142
Net Fiscal Impact	0	0	0	0

Recommendation

The Governor recommends a technical budget neutral adjustment to appropriations and revenues for federal grants transferred from the Department of Education to make accounting for indirect costs consistent with standard statewide policy, and to simplify the financing of a small component of the Basic Sliding Fee Child Care Assistance Program (BSF).

Background

In 2003, several children and community support programs were transferred from the Department of Education to the Department of Human Services. This proposal seeks to provide budget neutral solutions to two accounting issues related to the transfer.

(1) Federal Grants: The Department of Education had permission from the Department of Finance to retain agency indirect costs on federal grants for agency operations. DHS's standard policy is to pay these costs to the general fund. This proposal would adjust appropriations and revenues so that indirect costs on these federal grants can be paid per standard policy.

(2) Child Care Child Support: Under current law, individuals receiving BSF child care assistance are required to assign their child care child support to the state to offset the costs of providing BSF child care assistance. Currently, these child care child support payments are accounted for in the Special Revenue Fund as dedicated revenue for the BSF program. Unnecessary administrative effort is required to account for this small revenue component of the BSF program. This proposal would repeal the Special Revenue account process and designate child care child support payments as non-dedicated revenue to the General Fund. The General Fund appropriation for the BSF program would be increased to offset the reduction in Special Revenue funds. This proposal would not change the assignment of child care child support for BSF recipients to the state, but would allow for more stable and timely BSF allocations to counties.

This proposal simplifies the Department's accounting process for federal grants transferred from MDE and simplifies the funding for a small component of the Basic Sliding Fee Program.

Statutory Change: M.S. Section 119B.074

Preliminary Proposal

Fiscal Impact ($000s)	FY 2006	FY 2007	FY 2008	FY 2009
General Fund				
Expenditures	$(6,692)	$(3,192)	$(3,192)	$(3,192)
Revenues	(6,692)	(3,192)	(3,192)	(3,192)
Net Fiscal Impact	0	0	0	0

Recommendation

The Governor recommends the refinancing of general fund spending with TANF funds to achieve general fund savings in FY2006 and FY2007 as adopted in 2003 Special Session Laws, Chapter 14 – the Omnibus Health and Human Services budget bill.

Background

Reductions in state funding for MFIP and child care programs in the 2003 session included undesignated refinancing of TANF funds starting in FY 2006. These were accounted for by designating TANF funds in the Revenue and Pass-through Budget Activity along with like amounts of undedicated revenue to the General Fund. This was done intentionally so that refinancing options could be considered at a later date and the best refinancing plan selected.

Under this proposed refinancing plan, general funds for MFIP Child Care would be reduced by $6,692,000 in fiscal year 2006 and $3,192,000 in fiscal year 2007 and beyond and replaced with a like TANF transfer to the Child Care and Development Fund (CCDF) that would be used to fund MFIP Child Care in FY 2006 and FY 2007 and beyond. This refinancing plan does not alter the forecasted nature of or eligibility criteria for MFIP Child Care.

The TANF Maintenance of Effort (MOE) requirement would not be met in FY 2006, therefore the allowance to use Working Family Credit as MOE would need to be increased by $6,692,000 in FY 2006. Further, the amount of Working Family Credit allowable for MOE in 2007 and 2008 would need to be increased by $3,192,000 to prevent an MOE deficit. The amount for 2009 would need to be increased by $1,367,000.

Statutory Change: Not Applicable.

Fiscal Impact ($000s)	FY 2006	FY 2007	FY 2008	FY 2009
General Fund				
Expenditures	($2,952)	($9,906)	($9,906)	($9,906)
Revenues	422	717	323	323
Net Fiscal Impact	($3,374)	($10,623)	($10,229)	($10,229)

Recommendation

The Governor recommends program and administrative changes to Medical Assistance and Prescription Drug Program associated with implementation of the new prescription drug benefit under Medicare Part D.

Background

Congress enacted the Medicare Modernization Act to cover a subsidized prescription drug benefit for Medicare beneficiaries.

In addition to qualifying for Medicare enrollment, many lower income Medicare beneficiaries meet the income and asset guidelines of state and federally funded Medicaid programs--known as Medical Assistance (MA) in Minnesota. As a result, some people may be dually enrolled in Medicare and:

- MA (known as full-benefit duals);
- Medicare Savings Programs such as Qualified Working Disabled (QWD), Qualified Medicare Beneficiary (QMB), Service Limited Medicare Beneficiary (SLMB), or Qualified Individuals (QI) programs; or
- Minnesota's state-funded pharmaceutical assistance program (SPAP), the Prescription Drug Program (PDP).

See http://www.budget.state.mn.us/buget/operating/200607/background2/humanservices.pdf for further information about these state programs.

Effective 1-1-06, federal match will no longer be available for MA payments for prescription medications that will be covered under Medicare Part D for people who are dually eligible for Medicare. Instead dual eligibles will obtain their prescription medications from Medicare Part D prescription drug plans or Medicare Advantage plans.

In addition to MA and Medicare Savings Programs enrollees, PDP enrollees will qualify for Medicare Part D. Differences between Medicare Part D and current prescription medication coverage for all of these populations may include:

- Medicare Part D coverage may impose co-payments and formulary limits that differ from MA and PDP and
- Medicare Part D does not provide retroactive coverage for medications, which MA does.

Because Medicare is the primary payer under the federal rules of the MA program, services that are available to an eligible beneficiary under Medicare cannot be matched by federal MA. However, state-only MA may continue to cover certain medications that are excluded from Medicare.

Until the federal regulations governing Medicare Part D are promulgated, and the Part D plans and their formularies are fully identified, the extent of these differences will not be clear. At this stage, however, the Department anticipates that the Medicare Part D benefit will be as good as the current benefit for most enrollees.

Final regulations on Medicare Part D have not been issued. While DHS will likely have a role in the Medicare Part D application and enrollment process, that role is not clear. Initially, it is expected that the Department will have minimal involvement in processing applications for Part D –with the Social Security Administration (SSA) being fully responsible for application processing and subsidy determinations. Once final regulations have been issued and the Department's new Web-based eligibility processing system for the state's publicly-funded health care programs is implemented, the Department's role will change.

The Minnesota Board on Aging projects that initially 98,000 people will seek information on Medicare Part D coverage and assistance enrolling and selecting an option that best meets their individual needs. People will contact the Board's 12 outreach sites and 7 call centers and are projected to require an average of 2 hours of assistance in the first year, tapering to 1 hour in subsequent periods. The current level of contacts is addressed by the Board with 45 paid full-time equivalents (FTEs) and approximately 200 volunteers. The substantial

increase in contacts will require a staffing increase of 45% supplemented with a 125% increase in the number of volunteers.

The Department will focus initial efforts on assisting current full-benefit dual-eligibles and PDP enrollees to enroll in Medicare Part D.

There are three components to this proposal:

⇒ First, the provision of information and enrollment assistance for people seeking to understand coverage under Medicare Part D, including selecting a plan that best meets their needs. This proposal would redirect existing resources, use federal grants, and increase the state general fund appropriation to support 3 FTE staff at the Department who will provide technical support to the call centers and outreach sites and to increase the Board on Aging resources to address the substantial increase in contacts that will result with Medicare Part D implementation.

⇒ Second, current PDP participants will begin receiving pharmacy coverage through Medicare Part D on January 1, 2006. Accordingly, the Department is exploring options of transforming PDP to cover other populations (see below).

⇒ Third, this proposal would align state law with the federal Medicare Modernization Act, including:

- Eliminating MA coverage of prescription medications coverable by Medicare Part D for people who are dually eligible for Medicare Part D, effective 1-1-06.
- Retain MA coverage of prescription medications in classes explicitly excluded from Medicare Part D coverage but covered under MA for dual eligibles. Federal match will continue to be available for these classes of drugs.
- Providing authority for the state to auto-assign and enroll full-benefit dual--eligibles into Medicare Part D drug plans if they fail to enroll within the federally prescribed enrollment periods --if permitted by federal regulation.
- Providing authority to communicate information pertaining to full benefit dual- eligibles and Medicare Savings Program enrollees to the Centers for Medicare and Medicaid Services for purposes of the Medicare Part D low income subsidy.
- Providing authority to manage SSA applications as follows:
  - ⇒ Perform an initial screening for people who submit an SSA application to the Department, to determine potential eligibility for Medicare Savings Programs, as required by federal regulation.
  - ⇒ Forward all SSA applications for the Medicare Part D subsidy to SSA.
  - ⇒ Develop and implement a manual process for people who purposefully submit an SSA application to the Department and request the Department --and not SSA-- to determine eligibility for the Medicare Part D subsidy.
- Completing changes to the Department's computer systems necessary to implement Medicare Part D and staff support for Medicare Part D application processing (1 FTE staff in FY 2006, 7 FTEs in FY 2007, and 6 FTEs thereafter). This proposal includes the redirection of existing PDP administrative resources to this activity.
- Preventing state program enrollees who are eligible for Medicare coverage from substituting state program coverage when Medicare is the primary payer for medical services.

The full extent of the State's role in implementing Medicare Part D will be further clarified upon promulgation of final federal regulations.

In addition, the Department will explore transforming the current state-funded pharmaceutical assistance program (SPAP), PDP, to provide coverage for those who have incomes up to 275% of the federal poverty guidelines, but who have no drug coverage. This group would receive a drug discount, rather than full coverage, through the SPAP. In addition, those who met the eligibility criteria for the state's General Assistance Medical Care (GAMC) program would continue to receive drug coverage equivalent to that which would otherwise be received through GAMC, but their prescription medication coverage would be through the SPAP. This restructuring would permit the Department to collect Medicaid-level rebates from pharmaceutical manufacturers, which would offset the costs of this proposal. The Department expects to put forward a more formal budget proposal related to the transformation of PDP during this legislative session.

Key Measures

- Pharmacy Average Monthly Cost Per Recipient

Please see http://www.departmentresults.state.mn.us/hs/index.html for a current report on the current status of Department measures.

Statutory Change: M.S. 256.955, 256B.04, 256.045

Fiscal Impact ($000s)	FY 2006	FY 2007	FY 2008	FY 2009
General Fund				
Expenditures	($7,938)	($6,141)	($6,577)	($7,170)
Net Fiscal Impact	($7,938)	($6,141)	($6,577)	($7,170)

Recommendation

The Governor recommends more cost-effective purchasing of prescription medications for Minnesota Health Care Program enrollees, including:

- Contracting for specialty pharmaceuticals at lower rates.
- Requiring fee-for-service enrollees with hemophilia to obtain covered blood-factor products through federally qualified 340B hemophilia treatment centers.
- Aligning payment rates for administered drugs with Medicare rates.
- Reducing payment rates for other prescription medications dispensed by pharmacies to average wholesale price (AWP) minus 14%.
- Requiring prior authorizing drugs new to the market.

Background

Minnesota Health Care Programs (MHCP) include Medical Assistance (MA), General Assistance Medical Care (GAMC), MinnesotaCare, and Prescription Drug Program (PDP). In administering these programs, the Department pays for a defined set of health care services and supplies for people who meet the categorical, income, and asset requirements of the programs. The benefit set for these programs includes prescription drug coverage. See http://www.budget.state.mn.us/budget/operating/200607/background2/humanservices.pdf for further information about MHCP.

Health care costs for MHCP continue to increase. Cost increases can be attributed to a number of factors, including growth in the ingredient cost of prescription drugs. The U. S. Department of Health and Human Services Office of the Inspector General (OIG) issued a report in September 2004 titled "Variation in State Medicaid Drug Prices." This report highlighted significant differences between state Medicaid agencies in the reimbursement paid to pharmacies for a sample of prescription drugs. The OIG concluded that Medicaid could have saved approximately $87 million in the 42 states studied if those states had paid at the same rate as the lowest paying state.

The following proposals would constrain the rate of growth of prescription drug costs for Minnesota's publicly funded health care programs while maintaining access to quality health care for enrollees.

Specialty Pharmaceutical Contracts

Current program. Certain prescription drugs are usually shipped by specialty pharmacies to MHCP recipients. These drugs are often injectable drugs that are very expensive. Examples include Enbrel, Avonex and Humira for which MHCP's average payment per claim exceeds $1,150. The cost and special storage requirements of these drugs inhibit many regular pharmacies from stocking them. Medicaid programs in other states have negotiated contracts with limited networks of specialty pharmacies. Under those contracts, specialty pharmacies have accepted reimbursement of approximately average wholesale price (AWP) minus 18 or 19%, rather than the AWP minus 11.5% the Department currently pays.

Proposal. This proposal would authorize the Department to contract with a limited network of pharmacies to provide specialty pharmaceuticals to MHCP enrollees. The proposal would save an estimated $90 per claim for these drugs based on a payment of AWP – 18.5%. These prescriptions will be available via mail order for beneficiaries and therefore a more limited network will not create access problems for MHCP enrollees.

Hemophilia Blood-Factor Products from 340B Providers

Current program. People with hemophilia frequently require infusions of blood-factor products to control bleeding episodes. Most hemophiliacs have their blood-factor products shipped to them –either by a 340B provider or a regular provider.

Federal law provides that Medicaid programs may purchase blood-factor products at relatively lower payment rates through a provider qualified under Section 340B of the Public Health Act.

In Minnesota, Fairview-University currently has a 340B-qualified hemophilia treatment center, and Mayo Clinic has a center that may become qualified.

Proposal. This proposal would authorize the department to limit purchase of blood factor products to 340B providers effective 10-1-05. Even with the loss of manufacturer rebates, the department would reduce the MHCP costs for purchasing these products.

Enrollees who are currently diagnosed with hemophilia would be notified well in advance to avoid disruptions of their supply of blood factor products. These products will be available via mail order for beneficiaries and therefore a more limited provider network will not create access problems for MHCP enrollees.

Payment Rates for Administered Drugs
Current program. Certain covered drugs are administered in outpatient facilities and billed to the Department. Our current payment rate for these drugs is AWP minus 5%. This rate was specified in statute several years ago to align with the rate Medicare paid for administered drugs at the time. (Prior to that, the department paid the full AWP.)

Under the Medicare Modernization Act, Congress adopted a change to Medicare reimbursement for administered drugs that was phased in over time. The current Medicare rate is based on average sales price (ASP). These new rates more closely approximate the prices at which providers purchase drugs.

Proposal. This proposal would align MCHP payment rates for administered drugs with the contemporary Medicare rate effective 7-1-05.

Pharmacy Payment Rates to AWP minus 14%
Current program. In 2003, the Legislature reduced fee-for-service pharmacy payment rates for MHCP to AWP minus 11.5%.

Federal and state law and regulations direct the department to pay pharmacy providers at the actual acquisition cost of a drug plus a reasonable dispensing fee. Where *average* wholesale price represents the *actual* wholesale price, AWP minus 14% is a better estimate of actual acquisition cost than AWP minus 11.5%. The U.S. Department of Health and Human Services Office of Inspector General issued a report in 2002 that suggested pharmacies purchase brand name prescription medications at an average of 17.2% less than AWP.

Proposal. This proposal would reduce MHCP payment rates from AWP minus 11.5% to AWP minus 14% effective 7-1-05. This proposal provides more accurate payments to providers plus a reasonable dispensing fee while protecting access for beneficiaries.

Prior Authorization of New Drugs
Current program. Newly approved drugs usually cost much more than drugs that are already on the market. Frequently, the new drugs offer few, if any, advantages over the existing drugs. Currently, if the department wants to subject a new drug to prior authorization, the drug formulary committee (DFC) must review the drug at a public meeting. After the meeting, the department has to allow for a 15-day comment period and a 15-day notification period. Since the DFC normally meets only four times per year, there is typically a significant delay in establishing prior authorization criteria for new drugs. During that period of delay, thousands of enrollees can start taking the new drug. That results in increased costs for more expensive drugs that may offer little additional benefit. Past examples of such drugs include Nexium, and even the anti-inflammatory drugs Vioxx, Celebrex and Bextra.

If the department had this authority when Vioxx and Celebrex were introduced to the market, the MHCP would have saved over $1.5 million annually just on those two drugs.

A number of other state Medicaid programs subject new drugs to prior authorization for up to 6 months.

Proposal. This proposal would authorize the department to subject drugs newly approved by the Food and Drug Administration (FDA) to prior authorization for up to 180 days without having to go through the regular DFC review process, effective 7-1-05. The DFC would establish general criteria for handling prior authorization requests for newly approved drugs. This proposal would provide the department the flexibility to allow unrestricted coverage of a new drug that is clearly superior to existing drugs or of drugs for which the manufacturer is willing to pay supplemental rebates.

Relationship to Base Budget

This represents a 2.2 percent reduction to the 2006-07 forecast for fee-for-service pharmacy spending.

Key Measures

Pharmacy average monthly cost per recipient.

Please see http://www.departmentresults.state.mn.us/hs/index.html for a current report on the status of this measure.

Statutory Change: M.S. 256B.0625, subd. 13c, subd. 13e, and subd. 13f.

Change Item: 5% Reduction To Hospital Rates

Fiscal Impact ($000s)	FY 2006	FY 2007	FY 2008	FY 2009
General Fund Expenditures	($16,069)	($35,978)	($41,108)	($44,926)
Health Care Access Fund Expenditures	(1,312)	(2,430)	(2,190)	(2,463)
Net Fiscal Impact	($17,381)	($38,408)	($43,298)	($47,389)

Recommendation

The Governor recommends a 5% reduction in fee-for-service hospital payment rates and associated reductions in managed care for Minnesota Health Care Programs. This proposal would reduce MA, GAMC, and MinnesotaCare fee-for-service payment rates for inpatient and outpatient hospital services by 5% effective 7-1-05. Managed care rates would be reduced by 2.01% for MA, 2.2% for GAMC and 1.83% for MinnesotaCare effective 1-1-06 to reflect the difference in the hospital component of capitation payments. The proposal excludes mental health diagnostic-related groupings (DRGs) and Indian Health Services.

Background

Current program. Minnesota Health Care Programs (MHCP) include Medical Assistance (MA), General Assistance Medical Care (GAMC), MinnesotaCare, and Prescription Drug Program (PDP). In administering these programs, the Department pays for a defined set of health care services and supplies for people who meet the categorical, income, and asset requirements of the programs. The benefit set for MA, GAMC, and MinnesotaCare includes coverage of inpatient and outpatient hospital services. See http://www.budget.state.mn.us/budget/operating/200607/background2/humanservices.pdf for further information about MHCP.

Health care costs for MHCP continue to increase. Cost increases can be attributed to a number of factors, including growth in expenditures for hospital services.

Relationship to Base Budget

This represents a 1.3 percent reduction to the department's fiscal year 2006-07 forecast for basic health care grants (MA, GAMC, and MnCare).

Key Measures

- MHCP cost increases.
- Inpatient average monthly cost per recipient.

Please see http://www.departmentresults.state.mn.us/hs/index.html for a current report on the status of these measures.

Statutory Change: M.S. 256.969, 256B.32, 256B.69, 256B.75, and 256L.12.

Fiscal Impact ($000s)	FY 2006	FY 2007	FY 2008	FY 2009
General Fund				
Expenditures	$51,377	$43,840	$48,461	$52,299
Health Care Access Fund				
Expenditures	(77,923)	(97,331)	(92,819)	(103,017)
Revenues	174	0	0	0
Net Fiscal Impact	($26,720)	($53,491)	($44,358)	($50,718)

Recommendation

The Governor recommends the following changes to Minnesota Health Care Program eligibility effective 10 –1 - 05:

⇒ Reduce MinnesotaCare eligibility for adult parents and caretakers to those with gross income no greater than 190% of the federal poverty guidelines (FPG). Eligibility for pregnant women will be maintained at current levels.

⇒ Discontinue MinnesotaCare eligibility for adults without children.

⇒ Restore spend-down in General Assistance Medical Care (GAMC) and discontinue GAMC-Hospital Only (GHO) coverage. Restoring income spend-down eligibility in GAMC will provide a full benefit safety net for some adults without children who will lose MinnesotaCare or GHO.

Background

Minnesota Health Care Programs (MHCP) include Medical Assistance (MA), GAMC, MinnesotaCare, and Prescription Drug Program (PDP). In administering these programs, the Department pays for a defined set of health care services and supplies for people who meet the categorical, income, and asset requirements of the programs. Federal Medicaid and State Children's Health Insurance Program (SCHIP) funding matches state expenditures in MA and for families with children enrolled in MinnesotaCare. See http://www.budget.state.mn.us/budget/operating/200607/background2/humanservices.pdf for further information about MHCP.

MinnesotaCare currently covers pregnant women and parents/caretakers of children with gross income no greater than 275% FPG and adults without children with gross income no greater than 175% FPG. There is no asset test for pregnant women. The asset test for parents/caretakers and adults without children is $10,000 for a single individual and $20,000 for a household of two or more.

GAMC covers adults without children with gross income to 75% FPG and GAMC-Hospital Only (GHO) covers adults without children who are hospitalized and have gross income from 75% to 175% FPG. GAMC enrollees have a $1,000 asset limit. GHO enrollees have a $10,000 asset limit for individuals and a $20,000 asset limit for couples. The GAMC benefit set is more comprehensive than MinnesotaCare or GHO.

Under this proposal, adults without children who are currently enrolled in MinnesotaCare or GHO would qualify for GAMC if:

- Their gross income does not exceed 75% FPG and their assets do not exceed $1,000.
- Their gross income exceeds 75% FPG, their assets do not exceed $1,000, and they incur medical expenses equal to the difference between their income and 75% FPG. Restoring income spenddown eligibility in GAMC will provide a full benefit safety-net for some adults without children who will lose MinnesotaCare or GHO.

The policy and fiscal effects of this proposal interact with proposals related to health care program management and hospital payment rates.

Please see http://www.departmentresults.state.mn.us/hs/index.html for a current report on the status of this measure.

Statutory Change: MS §256D.03, subd. 3 and Chapter 256L.

Fiscal Impact ($000s)	FY 2006	FY 2007	FY 2008	FY 2009
General Fund				
Expenditures	$2,101	($350)	($1,784)	($3,229)
Revenues	1,552	1,657	1,974	2,029
Health Care Access Fund				
Expenditures	2,946	2,044	3,940	3,971
Revenues	1,173	840	1,598	1,615
Net Fiscal Impact	$2,322	($803)	($1,416)	($2,902)

Recommendation

The Governor recommends that publicly funded health care programs be better managed by:

- Better addressing fraud and abuse;
- Complying with federal program integrity requirements;
- Recovering uncompensated transfers of income and assets;
- Recovering from estates assets held in irrevocable trusts or annuities;
- Implementing intensive medical care management;
- Improving cost-effectiveness of coverage;
- Improving health care enrollment process; and
- Increasing use of web-payment method.

Background

Minnesota Health Care Programs (MHCP) include Medical Assistance (MA), General Assistance Medical Care (GAMC), MinnesotaCare, and Prescription Drug Program (PDP). In administering these programs, the Department pays for a defined set of health care services and supplies for people who apply and meet the categorical, income, and asset requirements of the programs. Federal Medicaid and State Children's Health Insurance Program (SCHIP) funding matches state expenditures in MA and for families with children enrolled in MinnesotaCare. See http://www.budget.state.mn.us/budget/operating/200607/background2/humanservices.pdf for further information about these programs.

Better address fraud and abuse. Recent audits conducted by the Office of the Legislative Auditor (OLA) found deficiencies in the Department's health care program integrity operations and made recommendations to substantially improve the Department's capacity, communication and coordination of integrity functions. In August 2003 the OLA reported that the Department:

- Has not comprehensively estimated the amount or nature of improper payments.
- Does not have data-mining software, an important tool to detect potential improper payment issues.
- Needs to improve the oversight of managed care organization payment control activities.
- Does not have a full range of legal remedies for ensuring the integrity of the MA program.
- Has the same number of provider investigators it had in 1994, despite the dramatic increases in claim volume, claim types and provider types.

The Department has limited investigative staff to identify and respond to all varieties of provider fraud and abuse. This limits capacity to measure the scope of abusive practices among specific MA provider types. The Department is working with an outdated reporting system, and has no specific analytic tools to identify new patterns of abusive practices.

This proposal would increase the resources for these program integrity activities to**:**

- Expand investigations of provider fraud and abuse by increasing staff levels by 3 full-time equivalent (FTE) staff.
- Purchase and utilize tools not previously available to identify and respond to difficult-to-identify abusive and fraudulent billing activities.
- Expand legal remedies by coordinating identification and prosecution of abusive and fraudulent provider activities with local and federal governmental agencies.

These activities are projected to achieve savings for the general fund that exceed the level of investment over the long term.

Comply with federal program integrity requirements. Existing and new federal mandates require an increasing number and scope of recipient-eligibility audits for cases for which the state receives federal match

- *Federal PERM mandate.* In 2002, Congress passed the *Improper Payments Information Act (HR 4878),* requiring federal agencies to report annually on the scope of overpayments and underpayments in their programs. In response, the Centers for Medicare and Medicaid Services (CMS) published draft regulations requiring all states to audit their Medicaid programs annually. This new mandate, known as payment error rate measurement (PERM) will require that the Department implement additional quality control operations beginning in the next biennium to address payment accuracy, recipient eligibility, and the medical necessity of the services purchased. These responsibilities will *not* replace existing federal requirements for Medicaid-eligibility quality control (MEQC).

  Currently, the Department is administering a PERM pilot project funded by a one-year grant from CMS. If the federal PERM regulation is promulgated consistent with the proposed regulation, the Department will need several additional staff. The Department projects that a review of medical payments and recipient eligibility will need to be conducted for a sample of 1,000 or more claims annually.

  This proposal would fund 10 FTE staff who are experts in health care payments, eligibility and quality-control procedures to conduct this labor-intensive activity. Three FTEs would be assigned to medical necessity reviews and 7 FTEs would be assigned to eligibility reviews.

- *Federal MEQC mandate*. In 1997, Minnesota received a waiver from federal MEQC regulations which specify traditional methods and procedures for verifying the eligibility of a sample of people enrolled in Medicaid. In its place, Minnesota and other states have participated in the "Pilot Project for Reforming Quality Control". This CMS-sponsored alternative to the traditional procedures allowed states to design and implement their own quality control or evaluation projects to accomplish the eligibility-verification goals of MEQC. This waiver, and our status as a pilot project, is expected to end on June 30, 2005. At that time, Minnesota will be required by federal regulations to resume traditional MEQC procedures. It is anticipated that we will be required to conduct recipient-eligibility reviews on a sample of at least 1,000 cases annually. The procedure for these reviews will be identical to those conducted for PERM; however, because the two audits are based on different sampling universes and must be performed at the same time, separate staff are required to complete both audits.

  This proposal would fund 7 FTE trained staff to conduct MEQC.

- *MinnesotaCare eligibility audits.* In their January 2003 report, the OLA cited the Department's statutory responsibility to conduct random audits focused on recipient eligibility for MinnesotaCare. In accordance with the OLA's recommendation to increase the frequency of those audits, DHS' Program Assessment and Integrity Division conducted a two-phased study in 2003-04. The audit focused first on the extent to which MinnesotaCare enrollees had access to employer-based or private health insurance, and secondly on income and asset verification for new enrollees. Audits of this type should be conducted routinely to comply with Minn. Stat. §256L.05.

  This proposal would fund 3 FTE staff to conduct MinnesotaCare eligibility audits.

- *MinnesotaCare fraud prevention and control.* In addition to their January 2003 findings concerning random eligibility audits, the OLA recommended that the Department regularly monitor, identify, and intervene with applicant fraud and abuse in MinnesotaCare. Clearly, MinnesotaCare program integrity depends upon procedures that limit participation to only those individuals who meet eligibility requirements. The Department proposes to establish procedures to identify and disenroll people who fraudulently enroll in MinnesotaCare.

The Department has reassigned 1 FTE staff to pursue reports of fraud and abuse by MinnesotaCare enrollees. The preliminary outcome of this new activity has resulted in referrals, monetary recoveries, and voluntary agreements from former program participants who failed to report changes in circumstances or ownership of properties that would have resulted in ineligibility for MinnesotaCare.

This proposal would expand the department's current activities in recipient fraud prevention and control initiatives in the MinnesotaCare Program. In addition to the 1 existing FTE, the proposal would fund 2 FTE investigators who would be trained on fraud and abuse procedures, including detection, reporting and investigation, and 1 FTE for appeals. The fraud prevention and control unit would recommend corrective actions for implementation. The project would be analyzed to determine the cost and benefit of continuing or expanding these activities.

Recover uncompensated transfers of income and assets. Increasingly, MA recipients are strategically making and reporting transfers for less than fair market value in the last 10 days of a month, making it impossible for a financial worker to provide timely advance notice of a penalty period for the following month. This proposal would allow a cause of action to be brought by the county or the Department against the person who received the assets or income for less than adequate compensation when the transfer was reported after the date timely advance notice could be provided to the recipient and the recipient received MA coverage. Deterring people from engaging in these tactics would result in greater enrollee contributions towards the cost of long term care.

Effective for transfers occurring on or after July 1, 2005, this proposal would increase authority to bring legal action against those who received assets or income transferred to them for less than adequate compensation by a recipient who receives MA services because of the divestment of the assets or income.

People with greater means will be required to pay their cost of care. This will result in publicly funded health care cost containment through an increased ability of the agency to recover after assets have been transferred for less than adequate compensation.

Recover from estates assets held in irrevocable trusts or annuities. Federal law requires the State to recover MA payments from the estates of deceased recipients and state law establishing this policy for Minnesota's MA program also applies the policy to the Alternative Care (AC) program. Federal law gives states the option to include assets which are not part of the probate estate in a recipient's estate for purposes of recovering MA. Property held in life estate or joint tenancy was added to the definition of an estate for the purposes of recovery in July 2003.

Recent anecdotal information indicates recipients are putting their life estates in real property into trusts to avoid liens and estate claims for recovery of MA and AC expenses. Also, recipients and community spouses are using sole benefit trusts and annuities as will substitutes to shelter their assets from recovery.

This proposal would allow recovery from all trusts (except supplemental needs trusts, special needs trusts and trusts funded by third persons with their own funds) and annuities in which the recipient or their surviving spouse has an interest when they die, by expanding the definition of "estate" to permit MA and AC recoveries from recipients' interests in trusts and annuities at the time they die. This proposal is intended to be as broad as possible to allow recovery of MA and AC from annuities and trusts used to protect assets and to avoid probate, which may be an element of financial planning.

This proposal would fund 1 FTE staff to implement the provisions. These costs are projected to be offset by an increase in recoveries.

Implement intensive medical care management. Legislation passed in 2003 required the Department to study its health care programs and recommend cost-savings strategies. This proposal is based on that study's findings.

There is a growing recognition that within the population of high-cost recipients, there is a sub-population that comprises a distinct highest-risk segment. These highest risk recipients are often 1 to 3% or less of the total Medicaid population, but can generate 25% of all health costs. In FY2002, 3,631 distinct fee-for-service MA

recipients utilized greater than $100,000 each in health care services. Typically, recipients in this sub-population suffer from more than one chronic condition.

These highest risk recipients are not generally identified through traditional high-cost case management, county case management, or disease management programs because they are often disconnected from the health care system, isolated from the community, and have complex co-morbidities and confounding psychosocial issues.

Near-term hospitalizations can be avoided by providing the proper clinical care management services to these recipients. Attention to the interaction between a recipient's medical needs and their ability to access timely care for their needs has been proven to reengage recipients, resulting in behavioral changes that can reverse the downward slope in health status.

A predictive modeling and intensive medical care management program works as follows:

- A contracted vendor analyzes claim data, including health and pharmacy claims, to identify the recipients they deem to be at high risk of hospitalization within 12 months.
- The vendor ranks the recipients based on the level of risk, and then targets only those at highest risk for intervention.
- Intervention consists of intensive telephonic and in-person outreach and support by highly trained and skilled clinical staff. While not all participants have telephones, when they are accessed by telephone or in person, there is typically a high voluntary engagement rate. The outreach focuses on both medical self-management issues and on personal issues such as isolation, depression, or substance abuse that may directly impact the recipient's ability to manage their chronic medical conditions. The clinical care staff would coordinate with county case managers as necessary to meet the client's needs.

While the cost of this intervention can be considerable, savings and improved health outcomes can be achieved. An independent assessment by Milliman and Robertson of predictive modeling, coupled with intensive clinical care management targeted at the highest risk subpopulation, has documented a return on investment of 3 to 1 in a large *commercial* health plan. Based on the unique nature of the MA population, and on discussions with Minnesota health plan medical directors and local and national vendors that provide this type of intervention, the Department estimates that the state would experience a return on investment ratio of 1.5 to 1.

This proposal would provide intensive clinical medical care management for the 500 fee-for-service MA recipients with complex chronic medical needs. The clients identified for this service would participate on a voluntary basis.

The predictive modeling software used for selection of the subset of participants is proprietary and subject to change as health care practice changes. The Department does not have the internal resources to create or maintain this software. The Department also lacks the clinical staff and the care management protocols necessary to implement this program within the Department. Therefore, the department would use a competitive bidding process to procure a contracted vendor for this project.

Improve cost-effectiveness of coverage. Medical researchers are continuously compiling evidence on the efficacy of various medical procedures and technology, from widely-used, conventional methods such as spinal fusion to alleviate low back pain, to emerging technologies such as that used in the newest methods of diagnostic imaging. This type of information is currently used by commercial health care plans as a form of "industry standard" to make informed decisions regarding which procedures to cover and under what circumstances to cover them in order to maximize the effectiveness of coverage and expenditures.

Although Minn. Stat. §256B.04, subd.1a, establishes DHS' authority to make coverage decisions for MHCP recipients, limited capacity for that function exists within the Department. The Department needs to enhance clinical expertise needed to maximize use of current evidence in making coverage decisions. Improving the Department's capacity to do so would improve the ability to determine the best value for the state and the best care for the recipient.

Based on the findings of the Department's study of its health care programs conducted under the Omnibus Health and Human Services Budget Bill, Chapter 14, First Special session 2003, Article 13C, Subd. 2, sec. 7, this

proposal would subject current MHCP coverage to evidence-based review to determine whether current medical research would suggest significant opportunities for reducing costs and obtaining better value for expenditures. This proposal would put the Department in a better position to assess emerging procedures and technology introduced by medical providers in a more timely manner to avoid unnecessary future costs.

To enable DHS to make better, more clinically-informed decisions, this proposal has the following components:

- *Medical director.* Fund 2 FTE staff for a medical director and support staff. This would assist the Department in making MCHP coverage decisions based on science and medical expertise and improving health outcomes.

- *Medical policy advisory council.* Establish a medical policy advisory council that would include independent physicians and health plan medical directors and would serve as a resource to the medical director. The council would develop medically sound, physician-determined policy recommendations for the Department to reduce inappropriate use of medical services and improve health outcomes, including recommendations concerning whether particular service alternatives within those benefit coverage parameters are medically effective and appropriate and under what circumstances they should be covered. Recommendations would be based on review of new and current covered benefits and medical research provided by a Medicaid evidence-based practice center.

- *Multi-state Medicaid evidence-based practice center.* Establish, as part of a multi-state consortium, a Medicaid evidence-based practice center that would provide the medical director and medical policy council information and recommendations based on contemporary medical literature. The center would focus on topics selected by member Medicaid agencies. This would assure that the research was focused on medical issues specific to the Medicaid population.

  The evidence-based practice center would be similar in function, operation, and funding to the effort in which Minnesota currently participates with 10 other states for drug coverage decision-making. In that effort, the eleven states have formed a consortium that funds research the states direct.

  The Department initiated a dialog with the nation's state Medicaid directors, and 47 states have expressed interest in the concept. Based on this interest, the National Association of State Health Policy (NASHP) agreed to seek start-up funding from national organizations such as the Commonwealth Fund. NASHP's efforts at fundraising have been going well. As a result, NASHP, Minnesota and the other interested states are planning an initial organizational meeting in January 2005. Based on the experience of the aforementioned drug research center, the new policy center should be operational by July 2005.

  Minnesota's projected annual cost is $50,000 for the center. The actual amount will vary dependent upon the number of states participating.

Improve health care enrollment process. Most publicly funded basic health care programs are administered by local county agencies. MinnesotaCare is administered by the Department (MinnesotaCare Operations) and by counties that have chosen to do so. Public administration of these programs in 87 counties is inefficient and a barrier to improving program integrity and customer service.

The largest portion of the Department's budget is expended on health care programs, and in many cases, health care eligibility administration is a relatively low priority for counties. Counties are challenged to manage the burden of the current health care program caseload, resulting in poor customer services and inaccurate eligibility determinations. Program changes such as implementation of Medicare Part D and shifting of MinnesotaCare enrollees to MA, will increase county caseloads over the next 24 months.

Predominately central administration of MinnesotaCare has served a substantial portion of MinnesotaCare enrollees well. For some, however, personal assistance offered in their local communities would benefit applicants who become frustrated with the paperwork involved in the application or renewal process. The ideal enrollment system would allow uninsured Minnesotans to choose between remote access via the internet or telephone or personal assistance at a local agency.

HealthMatch, an automated web-based eligibility system, is projected to be fully implemented state-wide effective July 1, 2006. HealthMatch will incorporate MA, GAMC and MinnesotaCare eligibility and enrollment into one system and essentially one virtual program with different benefit sets and cost-sharing. This will require that all eligibility workers be versed in all health care programs.

Although HealthMatch will improve speed and accuracy and produce consistent eligibility determinations, it will not address issues related to managing paper applications and documents or deficiencies in expedient access to information and enrollment forms.

Until HealthMatch is implemented, the Department's MinnesotaCare Operations will continue to process eligibility determinations with minimal systems support. The MinnesotaCare Program has grown 27% since 2001. MinnesotaCare Operations manages 94% of the state's 70,037 cases and continues to receive an average of 5,000 new applications and 67,000 phone calls per month. In addition to an overall increase in cases, the workload has essentially doubled for operations staff with implementation of 6 month renewals. Authority to carry forward unspent administrative funding from FYs 2002-03 has made it possible for MinnesotaCare Operations to manage this increased workload. That additional funding will be expended before HealthMatch implementation is completed and MinnesotaCare Operations is able to process cases with fewer staff.

This proposal would use base MinnesotaCare Operations funding plus an increased appropriation to improve the health care eligibility and enrollment process. The improved business process will expedite enrollment of low-income uninsured Minnesotans, improve the efficiency and integrity of Minnesota's publicly funded health care programs, and reduce local government administrative costs.

- *Transition to HealthMatch and new business process.* Continue the FY 2005 MinnesotaCare Operations staff levels until HealthMatch is fully implemented in order to reduce delays in processing due to implementation of 6-month renewals, convert cases to HealthMatch, and transition to providing a platform for improved business processes described below.*

- *Implement waiver.* Upon implementation of HealthMatch, implement the federally authorized project under Minn. Stat. §256B.78 to demonstrate whether improved access to pre-pregnancy family planning services reduces MA and Minnesota Family Investment Program (MFIP) costs. Implementation includes eligibility case maintenance, training, evaluation, outreach and other related costs.

- *Customer service center.* Beginning in FY 2007, provide statewide direct access to health care program information, applications and health plan enrollment by telephone and internet to provide fast and consistent customer service and reduce administrative burden for local agencies.

- *Centralized electronic document management and data entry system.* In FYs 2007-08 expand MinnesotaCare Operations electronic document management system to facilitate statewide document management for publicly funded health care programs. The statewide system would simplify the submission of paper documents, provide a fast and secure transfer of case records, eliminate duplication, provide data for performance management, and apply consistent processes for enrollment in prepaid health plans. Centralized document management would also offer opportunities for local governments to combine resources for data entry or shared caseload distribution.

- *Central administration of on-line applications and other processes.* In FY 2007, begin to centrally administer all applications and renewals that are submitted on-line, basic-change data entry (e.g., change of address), and health plan enrollment. This approach would encourage use of technology to reduce administrative activities in general and minimize the stigma of public program enrollment for people who chose to apply on-line.

  This would also alleviate local government of administering cases that can be handled more efficiently in a centralized manner to allow counties to better assist people who require personal assistance to access eligibility and services and people who submit paper applications.

Increase use of web-payment method. The Department implemented a web-payment system in July 2003 to improve customer service and the Department's ability to manage fee collection without additional administrative resources.

Currently, 5,500 MinnesotaCare enrollees use the system to pay their premiums by credit card. Recently, the system was expanded to allow licensing, parental fee, MA-for employed people with disabilities, and other customers to use the system to make premium or fee payments.

The processing fees assessed by credit card companies average $1.25 per transaction (the fee varies by credit-card company and is typically a percentage of the transaction amount). In addition, the Department is assessed a fee of $.51 per transaction for payments processed through EZ Gov. The total processing fee cost is projected to be $127,000 in FY 2005. The Department projects that a greater percentage of payers will use the web-payment system each year. Reduced Department administrative resources no longer make it possible for the agency to absorb these processing fees, especially as usage increases.

The Department continues to be able to handle an increased volume of incoming receipts without increasing receipts-processing staff due to innovations such as this, but web volume must increase by at least 300% over current volume before direct savings or staff reductions are possible (assuming other non-web processing volumes do not increase).

This proposal would support increased use of the DHS web-payment system by funding the credit-card processing fees.*

***Interaction with Restructure Health Care Program Eligibility.** The change item to Restructure Health Care Program Eligibility impacts the proposals listed in this change item because it would reduce the number of people served by the Department. These interactive effects have been taken into account in the fiscal impact identified in the table at the top of the first page of this change item. Therefore, if the proposal to Restructure Health Care Program Eligibility is not adopted, the cost of this change item would increase as follows:

- *MinnesotaCare Eligibility Audits.* Requires a net state expenditure $91,000 greater for FYs 2006-07, including 1 additional FTE staff.
- *Require Fraud prevention and control.* Requires a net state expenditure $282,000 greater for FYs 2006-07, including 3 additional FTE staff (additional investigator, programmer and policy consultant).
- *Improve health care enrollment process.* Requires a net state expenditure $1,160,000 greater for 2006-07 biennium, including 32 additional FTE staff in FY 2006 and 35 additional in FY 2007.
- *Increase use of web-payment method.* Requires a net state expenditure $46,000 greater for FYs 2006-07.

Relationship to Base Budget

This proposal would be a 1.8% increase to the Department's general fund appropriation for office administration and a 7.6% increase to the health care access fund for the same.

Key Measures

- Minnesota health care program cost increases.

Statutory Change: M.S. 256.01, 256B.0595, 256B.0625, 501B.89

Preliminary Proposal

Fiscal Impact ($000s)	FY 2006	FY 2007	FY 2008	FY 2009
General Fund				
Expenditures	($259,823)	($420,338)	($461,013)	($497,896)
Revenues	($96,108)	($190,601)	($121,917)	($137,584)
Health Care Access Fund				
Expenditures	$259,823	$420,338	$461,013	$497,896
Revenues	$93,407	$186,369	$115,498	$129,338
Net Fiscal Impact	$2,701	$4,232	$6,419	$8,246

Recommendation

The Governor recommends that General Assistance Medical Care be funded from the health care access fund (HCAF), rather than the general fund (GF), and that existing basic health care provider surcharges be directed to the health care access fund. MinnesotaCare would continue to be funded from the health care access fund as well.

The Governor also recommends that the Department develop recommendations to simplify publicly funded health care program financing for the 2008-09 biennium.

Background

In 1992 the HCAF was established as a direct-appropriated special revenue fund for the MinnesotaCare Program. Current HCAF resources are derived from the following sources:

- A two percent tax on gross provider revenues
- A one percent tax on gross health maintenance organization (HMO) premiums
- Enrollee premiums
- Interest earned on deposits in the fund
- Federal revenue for certain Department administrative activities
- Federal participation through a Medical Assistance waiver and S-CHIP

The November 2004 forecast projects a HCAF balance of $770 million and a structural balance of $284 million at the end of FY 2009. This level of balance is primarily due to the projection that a large portion of MinnesotaCare enrollees who also qualify for Medical Assistance (MA) or General Assistance Medical Care (GAMC) will move from MinnesotaCare to those programs with planned changes to health care eligibility processes that will be implemented with the Department's new automated health care eligibility system, HealthMatch. With this shift, funding for these enrollees will be derived from the GF, rather than the HCAF.

This proposal would make the following changes to expenses and revenues of the HCAF:

- Finance the GAMC program from the HCAF, rather than the GF, effective October 1, 2005;
- Discontinue HCAF transfers to the GF associated with provider and premium taxes on MA and GAMC revenues beginning in FY 2006;
- Continue year-end-balance transfers from the HCAF to the GF beyond FY 2007, but limit the value of the transfers to approximately $50 million each year, the estimated value of the MA and GAMC provider tax; and
- Direct HMO and hospital MA surcharge revenues to the HCAF beginning in FY 2007.

The HCAF's ability to fund both GAMC and MinnesotaCare is dependent on the timing and level of the projected shifts between MinnesotaCare and MA and GAMC that are related to new eligibility processes; the level of coverage in the MinnesotaCare Program; renewal of federal waiver authority to obtain federal Medicaid and State-Children's Health Insurance Program (S-CHIP) match for MinnesotaCare; and the level of growth in the restructured GAMC and MinnesotaCare programs.

To address these risk factors, this proposal would continue the current law forecast nature of MinnesotaCare during a time of a number of substantive changes to health care programs.

Given the complexity of this proposal and the variety of program and financing changes that will occur in the FY 2006-07 biennium, this proposal would also direct the Department to make recommendations to simplify publicly funded health care program financing for the FY 2008-09 biennium. These financing simplification recommendations should be developed after previously mentioned changes in Minnesota Health Care Programs have occurred and their effects are more fully understood.

There is significant interaction of this proposal with the Governor's recommendation to restructure Minnesota Health Care Program eligibility.

Relationship to Base Budget

This proposal would affect the fund from which the Department's budget is appropriated, not the level of funding.

Statutory Change: Minn. Stat. 295.581

Fiscal Impact ($000s)	FY 2006	FY 2007	FY 2008	FY 2009
General Fund				
Expenditures	($236)	($1,360)	$1,714	($110)
Revenues	0	0	0	0
Net Fiscal Impact	($236)	($1,360)	$1,714	($110)

Recommendation

The Governor recommends that resources that would have automatically increased *some* Medical Assistance (MA) nursing facility (NF) rates in FY 2006 be redirected so that effective October 1, 2005, *all* MA NFs would receive a two percent increase over their rates in effect on June 30, 2005. This rate increase would be flexible funding to better enable the nursing facilities to transition to a new reimbursement system that encourages and financially rewards higher quality and greater efficiency.

Background

Current program. Minnesota's Medicaid Program, known as Medical Assistance (MA) pays for coverage of NF services for people who meet the categorical, income, and asset requirements of the program. See http://www.budget.state.mn.us/budget/operating/200607/background2/humanservices.pdf for further information about MA and NF coverage.

In 2001 the Legislature instructed the Department to develop recommendations for a new reimbursement system for NFs. The Department contracted with the University of Minnesota to assist in developing a new reimbursement system that factors both cost and quality into its rate setting.

In 2004 the Department presented the report, "Value-Based Reimbursement: A Proposal for a New Nursing Facility Reimbursement System," to the Legislature and sought enactment of the new reimbursement system. As an interim step, the Legislature directed the Department to establish a new NF reimbursement system effective 10-1-06. Over the past year, the Department has worked with a committee of stakeholders to refine the proposed system. The new system will be similar to that proposed in the 2004 report.

Proposal. Effective October 1, 2005, all MA NFs would receive a two percent increase over their rates in effect on June 30, 2005. This rate increase will be flexible funding to better enable the nursing facilities to transition to the new reimbursement system. This proposal would phase in the new NF payment system over four years, beginning 10-1-06. To transition to the new reimbursement system, effective 7-1-05, the automatic MA rate adjustments for operating and property costs for NFs under contract through the alternative payment system (APS) will be incorporated into the new reimbursement system. For the first two biennia, (FY 2006-07 and FY 2008-09) most of these funds will be redirected for NFs to transition to the new reimbursement system and to increase staffing levels.

Characteristics of the new system. The new NF reimbursement system will consider quality of services provided when establishing payment rates. It will provide direct incentives to encourage both quality and efficiency by establishing "target prices" and allowing variations from those prices depending on a NFs level of quality and its own costs. A facility's costs will be compared with a target price. Facilities with costs above the target will receive a large portion of the differences if they are high quality, and none if they are low quality. Facilities with costs below the target will also keep a portion of the difference if they are high quality, but very little if they are low quality.

The system will provide facility-specific, prospective rates. The rates will be determined annually, using statistical and cost information filed by each NF.

The proposed system will:

- Recognize legitimate costs;
- Encourage efficiency and quality;
- Reduce rate disparities; and

- Give providers financial incentives for delivering quality services and achieving good outcomes for residents.

Phase-in and funding to ease transition to new system. The new reimbursement system is a major change for providers and could result in some providers receiving large rate increases or decreases. To ease the transition, this proposal includes a phase-in of the new system by blending rates under the old system with those determined under the new system. The blending would involve an increase in the portion of the actual payment rate coming from the new system over a period of four years.

In addition, automatic rate increases for operating costs in FYs 06-07 will be redirected to:

⇒ Initially hold NFs harmless from significant decreases in their rates as they transition to the new reimbursement system;

⇒ Assist NFs to improve their overall quality before the new reimbursement system is implemented. This will be provided through a flexible funding allocation which facilities can spend to improve quality and better position themselves to succeed in the new reimbursement system. For example, facilities may improve employee staffing levels, rate of pay, or other business needs;

⇒ Target higher payments to NFs that improve quality or are of high quality. High quality NFs will be rewarded by having the option to transition to the new reimbursement system sooner; and

⇒ Increase direct care-staffing levels effective 7-1-07.

To further ease the transition to the new reimbursement system and to increase staffing levels in NFs, automatic rate increases for operating costs in FY 2008-09 will be redirected to fund improvements in staffing levels.

This approach will better prepare NFs to succeed under the new reimbursement system and supports the development of a smaller, more financially healthy NF industry. Nursing facilities that are of high quality or that improve quality will prosper under the new system. Those of low quality that do not take steps to improve quality may eventually close.

Key Measures

- Proportion of elders receiving publicly funded services in institutional versus community settings.
- Proportion of public long-term care dollars expended in institutional versus community settings.
- Proportion of nursing home days paid by funding source.

Please see http://www.departmentresults.state.mn.us/hs/index.html for a current report on the status of these measures.

Statutory Change: M.S. 256B.41 to 256B.47

Change Item: Manage Caseload Growth in Home and Community Based Waivers

Fiscal Impact ($000s)	FY 2006	FY 2007	FY 2008	FY 2009
General Fund				
Expenditures	($13,372)	($38,074)	($30,983)	($11,394)
Net Fiscal Impact	($13,372)	($38,074)	($30,983)	($11,394)

Recommendation

The Governor recommends a continuation of caseload growth management in three of the state's home and community-based waiver programs during FYs 2006 and 2007: Community Alternatives for Disabled Individuals (CADI) Waiver, Traumatic Brain Injury (TBI) Waiver, and Mental Retardation and Related Conditions (MR/RC) Waiver.

Background

Minnesota's Medicaid Program, known as Medical Assistance (MA), pays for coverage of home and community-based services as an alternative to institutional care for people who would meet categorical, income, and asset requirements if they were institutionalized. State expenditures for MA are matched with federal Medicaid funding. See http://www.budget.state.mn.us/budget/operating/200607/background2/humanservices.pdf for further information about MA and home and community-based waivers.

The CADI Waiver covers non-institutional services for approximately 12,000 people with disabilities under the age of 65 who meet requirements for a nursing facility (NF) level of care. The level of care need is determined through a Long-Term Care Consultation Services Assessment. The person must demonstrate the need for assistance because of one or more of the following:

- Need for restorative, rehabilitative or other special treatment
- Unstable health
- Need for complex care management
- Functional limitation
- Existence of complicating conditions
- Cognitive or behavioral condition
- Frailty or vulnerability

The TBI Waiver serves as an alternative to either placement in a nursing facility (NF) or the neurobehavioral hospital entitlement in the state's Medicaid plan. People who are eligible for the TBI Waiver have significant cognitive impairments and/or severe behavioral challenges. In addition to being at risk of institutionalization in an NF or neurobehavioral hospital, many TBI waiver recipients also face the possibility of being placed in a state-operated regional treatment center.

- The TBI Waiver currently serves approximately 1,380 individuals.
- About 25% of the TBI waiver recipients require a neurobehavioral hospital level of care.
- The other 75% of the TBI waiver recipients require the level of care provided in a NF.

The MR/RC Waiver serves as an alternative to the intermediate care facility for people with mental retardation (ICF-MR) entitlement in the state's Medicaid plan. The MR/RC Waiver currently serves about 15,550 individuals. The MR/RC waiver caseload is impacted by three mechanisms:

- Conversion: The relocation of a person to the community when an institutional bed closes.
- Turnover: Reuse of existing allocations vacated by waiver recipients.
- Diversion: Addition of new caseload for diverting a person from entering an institution.

Federal law establishes that the ICF-MR service is a Medicaid entitlement. Because of the ongoing reduction in the use of ICF-MR services, MR/RC waiver diversions are used to meet the state's obligation to provide services to people who are newly identified as "in need of services." Turnover within the system is used by either people converting from institutional services or people who are recently identified as in need of services (thus, they also enable the state to meet its entitlement obligations but are not counted as new caseload growth). A caseload

managed in this way still allows for some needed flexibility at the county level, potentially protecting service settings that would become unstable because of loss of clients.

In 2003 state law changed to allow the Department to manage new caseload growth in the CADI and TBI waiver programs. The law also created tools to manage growth in the MR/RC waiver program by not allocating any new diversions during FYs 2004-05. This proposal would essentially maintain current policy.

Effective 7-1-05, this proposal would manage growth in CADI, TBI, and MR/RC waivers for each year of FY 2006-07 biennium:

- CADI Waiver caseload growth would expand by a maximum of 95 per month.
- TBI Waiver caseload growth would expand by a maximum of 150 slots per year.
- MR/RC Waiver new diversion growth would expand by a maximum of 50 allocations to be awarded for emergency purposes.

Key Measures

- Proportion of public long-term care dollars expended in institutional versus community settings.

Please see http://www.departmentresults.state.mn.us/hs/index.html for a current report on the status of this measure.

Statutory Change: Not applicable.

Fiscal Impact ($000s)	FY 2006	FY 2007	FY 2008	FY 2009
General Fund				
Expenditures	$17,731	$19,797	$23,653	$27,822
Revenues	1,773	1,980	2,365	2,782
Net Fiscal Impact	$15,958	$17,817	$21,288	$25,040

Recommendation

The Governor recommends an increased appropriation to address an increase in the number of referrals and commitments to the Minnesota Sex Offender Program (MSOP) and the Minnesota Security Hospital (MSH).

Background

Current Program

Minnesota Statutes, chapter 253B, requires that the Department of Human Services (DHS) State-Operated Services (SOS) provide treatment to individuals who are committed by the court system as mentally ill and dangerous (MI&D); sexually dangerous persons (SDP); or sexual psychopathic personalities (SPP) into the forensic service treatment programs provided at the MSH and the MSOP.

See http://www.budget.state.mn.us/budget/operating/200607/background2/humanservices.pdf for further information about the current programs.

Minnesota Sex Offender Program Demand

Prior to FY 2004, the MSOP population was growing by about 18 persons committed as sexually dangerous persons or sexual psychopathic personalities each year. MSOP experienced a net increase in population of 34 people in FY 2004 and is projected to increase by 63 in FY 2005 (a net total of 97 people over the biennium). The Department currently projects that this rate growth will continue by 25 people through FY 2006, 23 in FY 2007, and then maintain that level of annual growth thereafter.

This growth in utilization has necessitated the staffing of an additional 50 MSOP beds in FY 2004, 55 in FY 2005, 25 in FY 2006, and 25 in FY 2007. The Governor has separately recommended deficiency funding to address the increase in operating costs for FY 2005. This proposal would address the ongoing operating costs for the 105 MSOP beds needing deficiency funding and the 50 beds needing to be added by the end of FY 2007.

Minnesota Security Hospital Admissions

The number of people admitted to MSH who are mentally ill and dangerous has increased and the number of discharges has decreased. Through FY 2003, annual growth in this population was typically 5 per year. In FY 2004 the population grew by 18. While the exact cause of growth is unknown, heightened awareness of public safety issues could be affecting referrals to the MSH. The Department currently projects this trend to continue and estimates net growth of 8 in 2006 and 7 in 2007.

Based on the present rate of growth, the Governor has separately recommended deficiency funding to staff an additional 50 MSH beds beginning in FY 2005. This proposal would address the ongoing operating costs for these 50 MSH beds beginning in FY 2006.

Proposal Details

This proposal would increase the operational funding to provide forensics treatment in a total of 205 additional beds:

- 155 MSOP beds (50 were opened in FY 2004; 55 are opening in FY 2005; 25 will be opened in FY 2006 and 25 will be opened in FY 2007.)
- 50 MSH beds

Finally, this proposal would permit security improvements to the St. Peter campus to continue to assure public safety needs are met. These improvements include an electronic monitoring system for the campus, and check in stations.

Relationship to Base Budget

This proposal would be 5.6% change to the department's base budget for State Operated Services for the FY 2006-07 biennium.

Statutory Change: Not applicable

Fiscal Impact ($000s)	FY 2006	FY 2007	FY 2008	FY 2009
General Fund				
Expenditures	$239	$3,235	$4,758	$6,262
Revenues	34	34	34	34
Net Fiscal Impact	$205	$3,201	$4,724	$6,228

Recommendation

The Governor recommends improving mental health services for people enrolled in Medical Assistance (MA), MinnesotaCare (MNCare), and General Assistance Medical Care (GAMC) by filling some gaps in the mental health system, with a focus on access to care and at-risk children.

Background

Model Benefit Set

Our current mental health system is fragmented, due in part to inadequate coverage of a complete continuum of services by most payers. Problems are associated with lack of access to appropriate and effective care, utilization of funded services that are inappropriate or ineffective, and shifting of costs among public and private payers.

The Minnesota Mental Health Action Group (MMHAG) - a public-private partnership working to design a more client centered mental health delivery system - has defined a model benefit set that it recommends be covered by payers to improve the system of care for people with mental illnesses and children with emotional disturbances. (See http://www.citizensleague.net/mentalhealth/index.html for further information about MMHAG.)

The model benefit set is a continuum of clinical services, as well as supportive services that are sometimes necessary for an effective treatment outcome. The services were selected based on documented and evidence-based mental health best practices.

The benefit set includes services that provide earlier help as well as services that offer alternatives that are just as effective as more costly acute care for some individuals. By offering a full continuum of care, the system would have flexibility to meet consumer needs, which should lead to better outcomes and increased satisfaction. Service provision would be based on medical necessity and in accordance with an individualized treatment plan approved by a physician or licensed practitioner.

Proposal Details

The following changes to publicly funded mental health treatment will fill some gaps in the current benefit set and improve the delivery system in a manner more consistent with proven treatment approaches.

Treatment foster care. MA would cover treatment foster care for children and youth with severe emotional disturbances. The service would combine intensive case management and therapy support in the home of specially trained and supported foster parents. While treatment foster care is provided in several forms in Minnesota, this proposal would establish standards for the service covered as an MA benefit. This proposal would be effective 7-1-06.

Psychiatric case consultation. The acute shortage of psychiatrists within Minnesota means that much of the care for persons with mental illness is handled through primary care physicians. Currently, MA covers consultation provided by any physician to any enrolled professional through interactive video, as long as the patient is present with the professional. For hard-to-access professionals, e-mail, phone or fax without the patient present is a more practical way to provide consultation.

Based on recommendations from a work group that included mental health professionals, primary care physicians, health plans and others, MA, GAMC and MNCare would cover case consultation between a psychiatrist and primary care physician to allow primary care doctors to access valuable, on-demand information necessary to deliver better quality treatment of their patients' mental health disorders. This proposal would be effective 1-1-06.

Interactive video. Interactive video, or telemedicine, is increasingly accepted as an effective means of delivering mental health services, especially in rural areas where specialists are not readily available. Medicare covers mental health services provided to patients using interactive video that meets certain quality standards. This proposal would better align MA, GAMC and MNCare coverage with federal Medicare policy. This proposal would be effective 1-1-06.

Assertive community treatment for youth in transition. Assertive community treatment (ACT) was recently added to the MA benefit set for adults with serious and persistent mental illness. ACT means non-residential adult rehabilitative mental health services provided by a multidisciplinary staff using an evidence-based, total team approach directed to recipients with a serious mental illness who require intensive services. This service approach also shows promise for adolescents with severe emotional disturbance who are making the transition to independent living. This proposal would cover assertive community treatment for 16 and 17-year-old Medical Assistance enrollees who are making a transition to independent living. This proposal would be effective 7-1-06.

Administration. This proposal would provide one full-time-equivalent employee to the Department to implement provider standards training and administer provider enrollment for these new services.

Key Measures

- Percentage of children reunified in less than 12 months from the time of the latest removal from home.
- Percent of persons with serious and persistent mental illness or severe emotional disturbance served in institutional settings.
- Average days in an institutional setting per recipient with mental illness or severe emotional disturbance.
- Percent of persons with serious and persistent mental illness readmitted to a hospital setting within 30 days of discharge.

Please see http://www.departmentresults.state.mn.us/hs/index.html for a current report on the status of these measures.

Statutory Change: M.S. 256B.0622, 256B.0625 and 256L.03.

Change Item: Expand Methamphetamine Treatment Capacity for Women with Children

Fiscal Impact ($000s)	FY 2006	FY 2007	FY 2008	FY 2009
General Fund Expenditures	$300	$300	$300	$300
Net Fiscal Impact	$300	$300	$300	$300

Recommendation

The Governor recommends an increased appropriation to address increased chemical dependency treatment needs of pregnant women and women with children who are or may be abusing methamphetamine, including providing or arranging for supports necessary for the successful completion of treatment.

Background

The Department pays for treatment for chemical dependency or abuse for people who meet categorical and resource guidelines and are assessed to be in need of treatment. State and federal funds for treatment are administered through a consolidated chemical dependency treatment fund and are managed in conjunction with counties and tribes. See http://www.budget.state.mn.us/buget/operating/200607/background2/humanservices.pdf for further information about chemical dependency treatment programs.

Typically, women constitute about one-third of clients in chemical dependency programs, yet account for approximately one-half of those in treatment for methamphetamine abuse in the state. Given this trend, the Department proposes to focus these treatment and technical assistance funds on improving treatment practices for pregnant women and women with children.

There is substantial knowledge in the area of chemical dependency treatment of women, both from national best practices and from providers in the state specializing in the treatment of women. The Department's outcome study indicates that women with multiple or complex problems have better outcomes in programs that specialize in women's services.

Recommendations from the Matrix Institute, a federally-funded treatment program and research center, suggests effective treatment for people addicted to methamphetamine requires 206 hours of outpatient treatment, which is considerably more than other chemical dependency treatments. This increase in the length of treatment will be difficult to achieve without additional funding.

This proposal would increase funding for grants to programs that provide specialized chemical dependency treatment for pregnant women and women with children who are or may be abusing methamphetamine. The programs would provide or coordinate the provision of prenatal care, child care, housing assistance, and other services needed to assure treatment completion.

Relationship to Base Budget

This proposal would be a 0.5% increase to the Department's base general fund for chemical dependency treatment for the 2006-07 biennium.

Key Measures

- Treatment completion rates for the women served by these programs.
- State-wide treatment completion rates for women who are or may be abusing methamphetamine.
- Proportion of positive outcomes for the children of women served by these programs.

Statutory Change: Not applicable.

Other Non Cabinet Agencies

BEHAVIORAL HEALTH & THERAPY BD

Agency Overview

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2004	FY2005	FY2006	FY2007	2006-07
Direct Appropriations by Fund					
State Government Spec Revenue					
Current Appropriation	350	350	350	350	700
Recommended	**350**	**350**	**673**	**673**	**1,346**
Change		0	323	323	646
% Biennial Change from 2004-05					92.3%
Expenditures by Fund					
Direct Appropriations					
State Government Spec Revenue	210	490	673	673	1,346
Open Appropriations					
State Government Spec Revenue	0	0	5	12	17
Total	**210**	**490**	**678**	**685**	**1,363**
Expenditures by Category					
Total Compensation	82	200	397	414	811
Other Operating Expenses	128	290	281	271	552
Total	**210**	**490**	**678**	**685**	**1,363**
Expenditures by Program					
Behaviorial Health & Therapy	210	490	678	685	1,363
Total	**210**	**490**	**678**	**685**	**1,363**
Full-Time Equivalents (FTE)	**1.3**	**3.4**	**7.0**	**7.0**	

BEHAVIORAL HEALTH & THERAPY BD

Change Summary

Dollars in Thousands

	FY2005	Governor's Recomm. FY2006	Governor's Recomm. FY2007	Biennium 2006-07
Fund: STATE GOVERNMENT SPEC REVENUE				
FY 2005 Appropriations	**350**	**350**	**350**	**700**
Technical Adjustments				
Transfers Between Agencies		323	323	646
Subtotal - Forecast Base	**350**	**673**	**673**	**1,346**
Total Governor's Recommendations	**350**	**673**	**673**	**1,346**
Fund: STATE GOVERNMENT SPEC REVENUE				
Planned Open Spending	**0**	**5**	**12**	**17**
Total Governor's Recommendations	**0**	**5**	**12**	**17**

CHIROPRACTORS BOARD

CONTENTS

CHIROPRACTORS BOARD

Agency Overview

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2004	FY2005	FY2006	FY2007	2006-07
Direct Appropriations by Fund					
State Government Spec Revenue					
Current Appropriation	384	384	384	384	768
Recommended	**384**	**384**	**384**	**384**	**768**
Change		0	0	0	0
% Biennial Change from 2004-05					0%
Expenditures by Fund					
Direct Appropriations					
State Government Spec Revenue	349	419	384	384	768
Open Appropriations					
State Government Spec Revenue	6	8	8	8	16
Total	**355**	**427**	**392**	**392**	**784**
Expenditures by Category					
Total Compensation	275	327	325	324	649
Other Operating Expenses	80	100	67	68	135
Total	**355**	**427**	**392**	**392**	**784**
Expenditures by Program					
Chiropractors, Board Of	355	427	392	392	784
Total	**355**	**427**	**392**	**392**	**784**
Full-Time Equivalents (FTE)	**5.0**	**5.0**	**4.8**	**4.6**	

DENTISTRY BOARD

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DENTISTRY BOARD

Agency Overview

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2004	FY2005	FY2006	FY2007	2006-07
Direct Appropriations by Fund					
State Government Spec Revenue					
Current Appropriation	858	858	858	858	1,716
Recommended	**858**	**858**	**858**	**858**	**1,716**
Change		0	0	0	0
% Biennial Change from 2004-05					0%
Health Care Access					
Current Appropriation	64	64	64	64	128
Recommended	**64**	**64**	**0**	**0**	**0**
Change		0	(64)	(64)	(128)
% Biennial Change from 2004-05					-100%
Expenditures by Fund					
Direct Appropriations					
State Government Spec Revenue	824	892	858	858	1,716
Health Care Access	43	85	0	0	0
Open Appropriations					
State Government Spec Revenue	6	13	13	13	26
Total	**873**	**990**	**871**	**871**	**1,742**
Expenditures by Category					
Total Compensation	602	669	660	676	1,336
Other Operating Expenses	271	321	211	195	406
Total	**873**	**990**	**871**	**871**	**1,742**
Expenditures by Program					
Dentistry, Board Of	873	990	871	871	1,742
Total	**873**	**990**	**871**	**871**	**1,742**
Full-Time Equivalents (FTE)	**10.1**	**11.6**	**10.6**	**10.3**	

DENTISTRY BOARD

Change Summary

Dollars in Thousands

	FY2005	Governor's Recomm. FY2006	Governor's Recomm. FY2007	Biennium 2006-07
Fund: STATE GOVERNMENT SPEC REVENUE				
FY 2005 Appropriations	**858**	**858**	**858**	**1,716**
Subtotal - Forecast Base	**858**	**858**	**858**	**1,716**
Total Governor's Recommendations	**858**	**858**	**858**	**1,716**
Fund: HEALTH CARE ACCESS				
FY 2005 Appropriations	**64**	**64**	**64**	**128**
Technical Adjustments				
One-time Appropriations		(64)	(64)	(128)
Subtotal - Forecast Base	**64**	**0**	**0**	**0**
Total Governor's Recommendations	**64**	**0**	**0**	**0**
Fund: STATE GOVERNMENT SPEC REVENUE				
Planned Open Spending	**13**	**13**	**13**	**26**
Total Governor's Recommendations	**13**	**13**	**13**	**26**

DIETETICS & NUTRITION PRACTICE

CONTENTS

DIETETICS & NUTRITION PRACTICE

Agency Overview

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2004	FY2005	FY2006	FY2007	2006-07
Direct Appropriations by Fund					
State Government Spec Revenue					
Current Appropriation	101	101	101	101	202
Recommended	**101**	**101**	**101**	**101**	**202**
Change		0	0	0	0
% Biennial Change from 2004-05					0%
Expenditures by Fund					
Direct Appropriations					
State Government Spec Revenue	65	137	101	101	202
Open Appropriations					
State Government Spec Revenue	0	0	4	4	8
Total	**65**	**137**	**105**	**105**	**210**
Expenditures by Category					
Total Compensation	53	63	59	61	120
Other Operating Expenses	12	74	46	44	90
Total	**65**	**137**	**105**	**105**	**210**
Expenditures by Program					
Dietetics & Nutrition Bd.	65	137	105	105	210
Total	**65**	**137**	**105**	**105**	**210**
Full-Time Equivalents (FTE)	**0.8**	**0.8**	**0.8**	**0.8**	

DISABILITY COUNCIL

CONTENTS

DISABILITY COUNCIL

Agency Overview

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2004	FY2005	FY2006	FY2007	2006-07
Direct Appropriations by Fund					
General					
Current Appropriation	500	500	500	500	1,000
Recommended	**500**	**500**	**500**	**500**	**1,000**
Change		0	0	0	0
% Biennial Change from 2004-05					0%
Expenditures by Fund					
Direct Appropriations					
General	477	635	500	500	1,000
Statutory Appropriations					
Special Revenue	0	5	5	5	10
Gift	0	5	0	0	0
Total	**477**	**645**	**505**	**505**	**1,010**
Expenditures by Category					
Total Compensation	372	378	378	378	756
Other Operating Expenses	105	267	127	127	254
Total	**477**	**645**	**505**	**505**	**1,010**
Expenditures by Program					
Cncl On Disability	477	645	505	505	1,010
Total	**477**	**645**	**505**	**505**	**1,010**
Full-Time Equivalents (FTE)	**5.6**	**5.6**	**4.6**	**4.6**	

EMERGENCY MEDICAL SVCS REG BD

Agency Overview

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2004	FY2005	FY2006	FY2007	2006-07
Direct Appropriations by Fund					
General					
Current Appropriation	2,481	2,481	2,481	2,481	4,962
Recommended	**2,481**	**2,481**	**2,481**	**2,481**	**4,962**
Change		0	0	0	0
% Biennial Change from 2004-05					0%
State Government Spec Revenue					
Current Appropriation	546	546	546	546	1,092
Recommended	**546**	**546**	**546**	**546**	**1,092**
Change		0	0	0	0
% Biennial Change from 2004-05					0%
Expenditures by Fund					
Direct Appropriations					
General	2,432	2,745	2,481	2,481	4,962
State Government Spec Revenue	497	595	546	546	1,092
Open Appropriations					
General	883	984	900	900	1,800
State Government Spec Revenue	9	11	11	11	22
Statutory Appropriations					
General	3	10	10	10	20
Special Revenue	974	1,239	1,172	1,172	2,344
Federal	431	527	300	350	650
Gift	0	13	2	2	4
Total	**5,229**	**6,124**	**5,422**	**5,472**	**10,894**
Expenditures by Category					
Total Compensation	1,344	1,590	1,291	1,289	2,580
Other Operating Expenses	638	1,049	843	903	1,746
Payments To Individuals	355	385	385	385	770
Local Assistance	2,273	2,522	2,376	2,418	4,794
Other Financial Transactions	619	578	527	477	1,004
Total	**5,229**	**6,124**	**5,422**	**5,472**	**10,894**
Expenditures by Program					
Emergency Medical Services Bd	5,229	6,124	5,422	5,472	10,894
Total	**5,229**	**6,124**	**5,422**	**5,472**	**10,894**
Full-Time Equivalents (FTE)	**21.2**	**24.7**	**19.1**	**18.2**	

MARRIAGE & FAMILY THERAPY BD

Agency Overview

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2004	FY2005	FY2006	FY2007	2006-07
Direct Appropriations by Fund					
State Government Spec Revenue					
Current Appropriation	118	118	118	118	236
Recommended	**118**	**118**	**118**	**118**	**236**
Change		0	0	0	0
% Biennial Change from 2004-05					0%
Expenditures by Fund					
Direct Appropriations					
State Government Spec Revenue	106	130	118	118	236
Open Appropriations					
State Government Spec Revenue	2	3	3	3	6
Total	**108**	**133**	**121**	**121**	**242**
Expenditures by Category					
Total Compensation	83	90	86	85	171
Other Operating Expenses	25	43	35	36	71
Total	**108**	**133**	**121**	**121**	**242**
Expenditures by Program					
Marriage And Family Therapy, B	108	133	121	121	242
Total	**108**	**133**	**121**	**121**	**242**
Full-Time Equivalents (FTE)	**1.5**	**1.6**	**1.4**	**1.4**	

MEDICAL PRACTICE BOARD

CONTENTS

MEDICAL PRACTICE BOARD

Agency Overview

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2004	FY2005	FY2006	FY2007	2006-07
Direct Appropriations by Fund					
State Government Spec Revenue					
Current Appropriation	3,498	3,498	3,498	3,498	6,996
Recommended	**3,498**	**3,498**	**3,404**	**3,404**	**6,808**
Change		0	(94)	(94)	(188)
% Biennial Change from 2004-05					-2.7%
Expenditures by Fund					
Direct Appropriations					
State Government Spec Revenue	2,410	2,847	3,404	3,404	6,808
Open Appropriations					
State Government Spec Revenue	48	58	58	58	116
Statutory Appropriations					
Special Revenue	0	1	1	1	2
Total	**2,458**	**2,906**	**3,463**	**3,463**	**6,926**
Expenditures by Category					
Total Compensation	1,421	1,539	1,398	1,393	2,791
Other Operating Expenses	1,037	1,367	1,240	1,245	2,485
Transfers	0	0	825	825	1,650
Total	**2,458**	**2,906**	**3,463**	**3,463**	**6,926**
Expenditures by Program					
Medical Practice, Board Of	2,458	2,906	3,463	3,463	6,926
Total	**2,458**	**2,906**	**3,463**	**3,463**	**6,926**
Full-Time Equivalents (FTE)	**23.4**	**26.0**	**22.0**	**21.0**	

MEDICAL PRACTICE BOARD

Change Summary

Dollars in Thousands

	FY2005	Governor's Recomm. FY2006	Governor's Recomm. FY2007	Biennium 2006-07
Fund: STATE GOVERNMENT SPEC REVENUE				
FY 2005 Appropriations	**3,498**	**3,498**	**3,498**	**6,996**
Technical Adjustments				
One-time Appropriations		(94)	(94)	(188)
Subtotal - Forecast Base	**3,498**	**3,404**	**3,404**	**6,808**
Total Governor's Recommendations	**3,498**	**3,404**	**3,404**	**6,808**
Fund: STATE GOVERNMENT SPEC REVENUE				
Planned Open Spending	**58**	**58**	**58**	**116**
Total Governor's Recommendations	**58**	**58**	**58**	**116**
Fund: SPECIAL REVENUE				
Planned Statutory Spending	**1**	**1**	**1**	**2**
Total Governor's Recommendations	**1**	**1**	**1**	**2**

NURSING HOME ADMIN BOARD

CONTENTS

NURSING HOME ADMIN BOARD

Agency Overview

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2004	FY2005	FY2006	FY2007	2006-07
Direct Appropriations by Fund					
State Government Spec Revenue					
Current Appropriation	198	198	198	198	396
Recommended	**198**	**198**	**597**	**607**	**1,204**
Change		0	399	409	808
% Biennial Change from 2004-05					204%
Expenditures by Fund					
Direct Appropriations					
State Government Spec Revenue	157	239	597	607	1,204
Open Appropriations					
State Government Spec Revenue	0	5	11	11	22
Statutory Appropriations					
Special Revenue	0	0	87	87	174
Total	**157**	**244**	**695**	**705**	**1,400**
Expenditures by Category					
Total Compensation	136	146	473	481	954
Other Operating Expenses	21	98	222	224	446
Total	**157**	**244**	**695**	**705**	**1,400**
Expenditures by Program					
Nursing Home Admin, Board Of	157	244	695	705	1,400
Total	**157**	**244**	**695**	**705**	**1,400**
Full-Time Equivalents (FTE)	**2.0**	**2.0**	**7.7**	**7.3**	

NURSING HOME ADMIN BOARD

Change Summary

Dollars in Thousands

	FY2005	Governor's Recomm. FY2006	Governor's Recomm. FY2007	Biennium 2006-07
Fund: STATE GOVERNMENT SPEC REVENUE				
FY 2005 Appropriations	**198**	**198**	**198**	**396**
Technical Adjustments				
Transfers Between Agencies		399	409	808
Subtotal - Forecast Base	**198**	**597**	**607**	**1,204**
Total Governor's Recommendations	**198**	**597**	**607**	**1,204**
Fund: STATE GOVERNMENT SPEC REVENUE				
Planned Open Spending	**5**	**11**	**11**	**22**
Total Governor's Recommendations	**5**	**11**	**11**	**22**
Fund: SPECIAL REVENUE				
Planned Statutory Spending	**0**	**87**	**87**	**174**
Total Governor's Recommendations	**0**	**87**	**87**	**174**

NURSING BOARD

CONTENTS

NURSING BOARD

Agency Overview

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2004	FY2005	FY2006	FY2007	2006-07
Direct Appropriations by Fund					
State Government Spec Revenue					
Current Appropriation	2,405	2,405	2,405	2,405	4,810
Recommended	**2,405**	**2,405**	**2,356**	**2,356**	**4,712**
Change		0	(49)	(49)	(98)
% Biennial Change from 2004-05					-2%
Expenditures by Fund					
Direct Appropriations					
State Government Spec Revenue	2,283	2,527	2,356	2,356	4,712
Special Revenue	0	71	0	0	0
Open Appropriations					
State Government Spec Revenue	35	34	34	34	68
Total	**2,318**	**2,632**	**2,390**	**2,390**	**4,780**
Expenditures by Category					
Total Compensation	1,604	1,697	1,578	1,572	3,150
Other Operating Expenses	714	935	812	818	1,630
Total	**2,318**	**2,632**	**2,390**	**2,390**	**4,780**
Expenditures by Program					
Nursing, Board Of	2,318	2,632	2,390	2,390	4,780
Total	**2,318**	**2,632**	**2,390**	**2,390**	**4,780**
Full-Time Equivalents (FTE)	**25.8**	**27.0**	**23.7**	**22.6**	

NURSING BOARD

Change Summary

Dollars in Thousands

	FY2005	Governor's Recomm. FY2006	Governor's Recomm. FY2007	Biennium 2006-07
Fund: STATE GOVERNMENT SPEC REVENUE				
FY 2005 Appropriations	**2,405**	**2,405**	**2,405**	**4,810**
Technical Adjustments				
One-time Appropriations		(49)	(49)	(98)
Subtotal - Forecast Base	**2,405**	**2,356**	**2,356**	**4,712**
Total Governor's Recommendations	**2,405**	**2,356**	**2,356**	**4,712**
Fund: STATE GOVERNMENT SPEC REVENUE				
Planned Open Spending	**34**	**34**	**34**	**68**
Total Governor's Recommendations	**34**	**34**	**34**	**68**

OMBUD FOR MENTAL HEALTH & M R

Agency Overview

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2004	FY2005	FY2006	FY2007	2006-07
Direct Appropriations by Fund					
General					
Current Appropriation	1,462	1,462	1,462	1,462	2,924
Recommended	**1,462**	**1,462**	**1,462**	**1,462**	**2,924**
Change		0	0	0	0
% Biennial Change from 2004-05					0%
Expenditures by Fund					
Direct Appropriations					
General	1,340	1,561	1,462	1,462	2,924
Total	**1,340**	**1,561**	**1,462**	**1,462**	**2,924**
Expenditures by Category					
Total Compensation	1,196	1,326	1,291	1,291	2,582
Other Operating Expenses	144	235	171	171	342
Total	**1,340**	**1,561**	**1,462**	**1,462**	**2,924**
Expenditures by Program					
Ombudsman For Mh & Mr	1,340	1,561	1,462	1,462	2,924
Total	**1,340**	**1,561**	**1,462**	**1,462**	**2,924**
Full-Time Equivalents (FTE)	**17.0**	**17.0**	**17.0**	**17.0**	

OMBUDSPERSON FOR FAMILIES

CONTENTS

OMBUDSPERSON FOR FAMILIES

Agency Overview

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2004	FY2005	FY2006	FY2007	2006-07
Direct Appropriations by Fund					
General					
Current Appropriation	245	245	245	245	490
Recommended	**245**	**245**	**245**	**245**	**490**
Change		0	0	0	0
% Biennial Change from 2004-05					0%
Expenditures by Fund					
Direct Appropriations					
General	243	248	245	245	490
Statutory Appropriations					
Special Revenue	49	173	162	162	324
Total	**292**	**421**	**407**	**407**	**814**
Expenditures by Category					
Total Compensation	243	296	307	306	613
Other Operating Expenses	49	125	100	101	201
Total	**292**	**421**	**407**	**407**	**814**
Expenditures by Program					
Ombudsperson For Families	292	421	407	407	814
Total	**292**	**421**	**407**	**407**	**814**
Full-Time Equivalents (FTE)	**3.9**	**4.8**	**4.8**	**4.8**	

OPTOMETRY BOARD

CONTENTS

OPTOMETRY BOARD

Agency Overview

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2004	FY2005	FY2006	FY2007	2006-07
Direct Appropriations by Fund					
State Government Spec Revenue					
Current Appropriation	96	96	96	96	192
Recommended	**96**	**96**	**96**	**96**	**192**
Change		0	0	0	0
% Biennial Change from 2004-05					0%
Expenditures by Fund					
Direct Appropriations					
State Government Spec Revenue	80	112	96	96	192
Open Appropriations					
State Government Spec Revenue	2	5	5	5	10
Total	**82**	**117**	**101**	**101**	**202**
Expenditures by Category					
Total Compensation	63	67	65	68	133
Other Operating Expenses	19	50	36	33	69
Total	**82**	**117**	**101**	**101**	**202**
Expenditures by Program					
Optometry, Board Of	82	117	101	101	202
Total	**82**	**117**	**101**	**101**	**202**
Full-Time Equivalents (FTE)	**1.0**	**1.0**	**1.0**	**1.0**	

PHARMACY BOARD

CONTENTS

PHARMACY BOARD

Agency Overview

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2004	FY2005	FY2006	FY2007	2006-07
Direct Appropriations by Fund					
State Government Spec Revenue					
Current Appropriation	1,386	1,386	1,386	1,386	2,772
Recommended	**1,386**	**1,386**	**1,027**	**1,027**	**2,054**
Change		0	(359)	(359)	(718)
% Biennial Change from 2004-05					-25.9%
Expenditures by Fund					
Direct Appropriations					
State Government Spec Revenue	1,368	1,471	1,027	1,027	2,054
Open Appropriations					
State Government Spec Revenue	6	23	17	17	34
Statutory Appropriations					
Special Revenue	65	209	0	0	0
Total	**1,439**	**1,703**	**1,044**	**1,044**	**2,088**
Expenditures by Category					
Total Compensation	1,166	1,214	823	821	1,644
Other Operating Expenses	273	489	221	223	444
Total	**1,439**	**1,703**	**1,044**	**1,044**	**2,088**
Expenditures by Program					
Pharmacy, Board Of	1,439	1,703	1,044	1,044	2,088
Total	**1,439**	**1,703**	**1,044**	**1,044**	**2,088**
Full-Time Equivalents (FTE)	**17.3**	**17.1**	**9.9**	**9.5**	

PHARMACY BOARD

Change Summary

Dollars in Thousands

	FY2005	Governor's Recomm. FY2006	Governor's Recomm. FY2007	Biennium 2006-07
Fund: STATE GOVERNMENT SPEC REVENUE				
FY 2005 Appropriations	**1,386**	**1,386**	**1,386**	**2,772**
Technical Adjustments				
Biennial Appropriations		40	50	90
Transfers Between Agencies		(399)	(409)	(808)
Subtotal - Forecast Base	**1,386**	**1,027**	**1,027**	**2,054**
Total Governor's Recommendations	**1,386**	**1,027**	**1,027**	**2,054**
Fund: STATE GOVERNMENT SPEC REVENUE				
Planned Open Spending	**23**	**17**	**17**	**34**
Total Governor's Recommendations	**23**	**17**	**17**	**34**
Fund: SPECIAL REVENUE				
Planned Statutory Spending	**209**	**0**	**0**	**0**
Total Governor's Recommendations	**209**	**0**	**0**	**0**

PHYSICAL THERAPY BOARD

CONTENTS

PHYSICAL THERAPY BOARD

Agency Overview

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2004	FY2005	FY2006	FY2007	2006-07
Direct Appropriations by Fund					
State Government Spec Revenue					
Current Appropriation	197	197	197	197	394
Recommended	**197**	**197**	**197**	**197**	**394**
Change		0	0	0	0
% Biennial Change from 2004-05					0%
Expenditures by Fund					
Direct Appropriations					
State Government Spec Revenue	184	210	197	197	394
Open Appropriations					
State Government Spec Revenue	8	6	6	6	12
Total	**192**	**216**	**203**	**203**	**406**
Expenditures by Category					
Total Compensation	151	161	153	153	306
Other Operating Expenses	41	55	50	50	100
Total	**192**	**216**	**203**	**203**	**406**
Expenditures by Program					
Physical Therapy Bd	192	216	203	203	406
Total	**192**	**216**	**203**	**203**	**406**
Full-Time Equivalents (FTE)	**2.1**	**2.0**	**2.0**	**1.9**	

PODIATRY BOARD

CONTENTS

PODIATRY BOARD

Agency Overview

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2004	FY2005	FY2006	FY2007	2006-07
Direct Appropriations by Fund					
State Government Spec Revenue					
Current Appropriation	45	45	45	45	90
Recommended	**45**	**45**	**45**	**45**	**90**
Change		0	0	0	0
% Biennial Change from 2004-05					0%
Expenditures by Fund					
Direct Appropriations					
State Government Spec Revenue	43	47	45	45	90
Open Appropriations					
State Government Spec Revenue	0	2	2	2	4
Total	**43**	**49**	**47**	**47**	**94**
Expenditures by Category					
Total Compensation	35	35	35	36	71
Other Operating Expenses	8	14	12	11	23
Total	**43**	**49**	**47**	**47**	**94**
Expenditures by Program					
Podiatry, Board Of	43	49	47	47	94
Total	**43**	**49**	**47**	**47**	**94**
Full-Time Equivalents (FTE)	**0.5**	**0.5**	**0.5**	**0.5**	

PSYCHOLOGY BOARD

CONTENTS

PSYCHOLOGY BOARD

Agency Overview

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2004	FY2005	FY2006	FY2007	2006-07
Direct Appropriations by Fund					
State Government Spec Revenue					
Current Appropriation	680	680	680	680	1,360
Recommended	**680**	**680**	**680**	**680**	**1,360**
Change		0	0	0	0
% Biennial Change from 2004-05					0%
Expenditures by Fund					
Direct Appropriations					
State Government Spec Revenue	528	832	680	680	1,360
Open Appropriations					
State Government Spec Revenue	8	11	11	11	22
Total	**536**	**843**	**691**	**691**	**1,382**
Expenditures by Category					
Total Compensation	424	540	513	533	1,046
Other Operating Expenses	112	303	178	158	336
Total	**536**	**843**	**691**	**691**	**1,382**
Expenditures by Program					
Psychology, Board Of	536	843	691	691	1,382
Total	**536**	**843**	**691**	**691**	**1,382**
Full-Time Equivalents (FTE)	**8.2**	**9.0**	**9.0**	**9.0**	

SOCIAL WORK BOARD

CONTENTS

SOCIAL WORK BOARD

Agency Overview

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2004	FY2005	FY2006	FY2007	2006-07
Direct Appropriations by Fund					
State Government Spec Revenue					
Current Appropriation	1,073	1,073	1,073	1,073	2,146
Recommended	**1,073**	**1,073**	**873**	**873**	**1,746**
Change		0	(200)	(200)	(400)
% Biennial Change from 2004-05					-18.6%
Expenditures by Fund					
Direct Appropriations					
State Government Spec Revenue	738	1,408	873	873	1,746
Open Appropriations					
State Government Spec Revenue	17	21	21	21	42
Statutory Appropriations					
Special Revenue	22	23	14	14	28
Total	**777**	**1,452**	**908**	**908**	**1,816**
Expenditures by Category					
Total Compensation	560	618	636	665	1,301
Other Operating Expenses	217	834	272	243	515
Total	**777**	**1,452**	**908**	**908**	**1,816**
Expenditures by Program					
Social Work, Board Of	777	1,452	908	908	1,816
Total	**777**	**1,452**	**908**	**908**	**1,816**
Full-Time Equivalents (FTE)	**10.0**	**10.1**	**10.1**	**10.0**	

SOCIAL WORK BOARD

Change Summary

Dollars in Thousands

	FY2005	Governor's Recomm. FY2006	Governor's Recomm. FY2007	Biennium 2006-07
Fund: STATE GOVERNMENT SPEC REVENUE				
FY 2005 Appropriations	**1,073**	**1,073**	**1,073**	**2,146**
Technical Adjustments				
One-time Appropriations		(200)	(200)	(400)
Subtotal - Forecast Base	**1,073**	**873**	**873**	**1,746**
Total Governor's Recommendations	**1,073**	**873**	**873**	**1,746**
Fund: STATE GOVERNMENT SPEC REVENUE				
Planned Open Spending	**21**	**21**	**21**	**42**
Total Governor's Recommendations	**21**	**21**	**21**	**42**
Fund: SPECIAL REVENUE				
Planned Statutory Spending	**23**	**14**	**14**	**28**
Total Governor's Recommendations	**23**	**14**	**14**	**28**

VETERANS HOME BOARD

CONTENTS

VETERANS HOME BOARD

Agency Overview

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2004	FY2005	FY2006	FY2007	2006-07
Direct Appropriations by Fund					
General					
Current Appropriation	30,030	30,030	30,030	30,030	60,060
Recommended	**30,030**	**30,030**	**30,030**	**30,030**	**60,060**
Change		0	0	0	0
% Biennial Change from 2004-05					0%
Expenditures by Fund					
Direct Appropriations					
General	0	0	30,030	30,030	60,060
Statutory Appropriations					
Special Revenue	58,973	61,025	32,748	35,156	67,904
Federal	278	287	278	278	556
Miscellaneous Agency	1,560	1,525	1,514	1,514	3,028
Gift	741	822	776	776	1,552
Total	**61,552**	**63,659**	**65,346**	**67,754**	**133,100**
Expenditures by Category					
Total Compensation	47,463	49,088	50,908	52,926	103,834
Other Operating Expenses	12,542	13,065	12,932	13,322	26,254
Capital Outlay & Real Property	9	0	0	0	0
Payments To Individuals	1,516	1,503	1,503	1,503	3,006
Local Assistance	2	3	3	3	6
Other Financial Transactions	20	0	0	0	0
Total	**61,552**	**63,659**	**65,346**	**67,754**	**133,100**
Expenditures by Program					
Veterans Homes	61,552	63,659	65,346	67,754	133,100
Total	**61,552**	**63,659**	**65,346**	**67,754**	**133,100**
Full-Time Equivalents (FTE)	**890.3**	**888.2**	**888.2**	**888.2**	

VETERINARY MEDICINE BOARD

CONTENTS

VETERINARY MEDICINE BOARD

Agency Overview

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2004	FY2005	FY2006	FY2007	2006-07
Direct Appropriations by Fund					
State Government Spec Revenue					
Current Appropriation	163	163	163	163	326
Recommended	**163**	**163**	**163**	**163**	**326**
Change		0	0	0	0
% Biennial Change from 2004-05					0%
Expenditures by Fund					
Direct Appropriations					
State Government Spec Revenue	144	182	163	163	326
Open Appropriations					
State Government Spec Revenue	2	3	3	3	6
Total	**146**	**185**	**166**	**166**	**332**
Expenditures by Category					
Total Compensation	130	140	132	132	264
Other Operating Expenses	16	45	34	34	68
Total	**146**	**185**	**166**	**166**	**332**
Expenditures by Program					
Veterinary Medicine, Board Of	146	185	166	166	332
Total	**146**	**185**	**166**	**166**	**332**
Full-Time Equivalents (FTE)	**1.8**	**1.7**	**1.7**	**1.6**	